The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

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Contents.

Professional Notes.

In the course of a few days the full revenue returns of Great Britain and Northern Ireland for the year ended March 31st, 1925, will be issued. Up to March 21st income tax had yielded £262,595,000 out of a total estimate for the year of £265,000,000, and super-tax had brought in £57,800,000, as against an estimate of £61,000,000. Estate duties at £57,050,000 have already exceeded the estimate of £56,000,000 for the year, but on the other hand the unfortunate excess profits duty, which was estimated to produce £8,000,000 for the year, has so far yielded nothing.

In addressing the Chancellor of the Exchequer as Chairman of the Finance and Taxation Committee of the Association of British Chambers of Commerce, Sir James Martin, F.S.A.A., pointed out to Mr. Churchill that income tax and super tax are expected to produce 41 per cent. of the whole revenue of the country, and this will be paid by two and-a-half millions of effective taxpayers out of a total estimated population in Great Britain and Northern Ireland of 44½ millions, or to put it in another way under 6 per cent. of the population are finding 41 per cent. of the revenue, besides paying their share of indirect taxation. In regard to the estate duties, Sir James Martin pointed out to the Chancellor that he regarded them as being a tax on capital, and in his opinion they ought to be ear-marked for the reduction of debt, as when utilised in other directions they involved the application of capital to meet expenditure which ought to be borne out of revenue.

In the British Sugar (Subsidy) Bill, which has just passed through Parliament and received the Royal assent, there is a provision relating to accounts of companies in receipt of the subsidy which is of great importance owing to its novelty, but in this connection it must be remembered that the circumstances are novel also. The clause in the Bill, as proposed by the Minister of Agriculture and as subsequently amended in the House of Commons, is as follows:—"(1) Any company to which a subsidy is paid under this Act shall send annually to the Minister a statement in the form of a balance-sheet, audited by the company's auditors, containing a summary of the company's share capital, its liabilities and its assets, giving such particulars as will disclose the general nature of those liabilities and assets and how the values of the fixed assets have been arrived at, and also a statement of profit and loss audited in the like manner. Every such statement shall be made up to such date as may be specified therein and shall be sent to the Minister within ninety days of that date. (2) Such balance-sheet and statement of profits and losses shall be drawn out in accordance with rules, and the Minister may require such explanation in relation thereto as may seem to him proper. (3) The Minister shall lay before Parliament copies of all balance-sheets sent to him in accordance with the requirements of this section."

We notice *The Accountant* has reproduced in a recent issue the *Hansard* report of the proceedings on the Report stage of the British Sugar (Subsidy) Bill. In the course of the discussion Sir John Simon, who had not taken any part in the negotiations between various interests concerned in the Bill and therefore had little acquaintance with what had transpired, made a reference to "Chartered Accountants." This set the ball rolling and as a result a well-known Incorporated Accountant found himself eulogized in the House as a "very eminent Chartered Accountant." This is not the only instance recently where credit for some strenuous work has not been given in the quarter where credit is due.

In a recent issue of the *Times Trade Supplement* a portrait of Sir James A. Cooper, F.S.A.A., Financial Controller of the Wembley Exhibition, appears under the heading "Men of the Moment." This is the second occasion within a few weeks that the *Times* has published in its Trade Supplement the photograph of an Incorporated Accountant as the "Man of the Moment."

The sudden death of Mr. Arthur J. Ashton, K.C., Recorder of Manchester and Judge of Appeal in the Isle of Man, severs another link with the earlier history of the Society. Prior to taking silk, Mr. Ashton lectured before the members and students on several occasions. He always maintained a warm friendship for the Society and was a favourite guest at its social functions when his duties allowed him to attend. He was present at the banquet in connection with the Conference of Incorporated Accountants in Liverpool in 1921 and also at the gathering at the Mansion House in London in 1922. A short time ago Mr. Ashton published a charming volume of recollections entitled "As I went my way." Quite recently he was appointed by the Council of Legal Education Head of the Inns of Court School of Law and Director of Legal Studies.

A very successful dinner was held by the South Wales and Monmouthshire District Society of Incorporated Accountants at Cardiff on Thursday, March 26th, the President of the Society, Mr. G. E. S. Heybyrne, being in the chair. Among the speakers at the dinner were the Lord Mayor of Cardiff, the President of the Parent Society, Mr. George Stanhope Pitt, and Mr. W. North Lewis, the President of the Monmouthshire and South Wales Coal Owners' Association. A full report of the proceedings will appear in our next issue.

We trust that Parliament will speedily find a cure for the evils which seem to be inseparable from usury. A firm of moneylenders styled Leonard Lloyd Limited, of which the directors are J. W. Lloyd (formerly Emanuel George Levy) and Leonard F. Pugh, state "that for a considerable time we have specialised in accommodating accountants upon exceptionally low terms." There are "accountants" and "accountants," and some of them Leonard Lloyd Limited would not desire as clients. But the circular letter goes out to those who are members of recognised bodies, and are acting in a fiduciary position. Any dealings by such with professional moneylenders would lead to the loss of their appointments and eventual degradation. It is unnecessary to add anything further.

We publish this month the text of the Valuation (Metropolis) Bill, the object of which is to assimilate the allowance for repairs for the purpose of local rates with the allowance now in force for the purpose of Income Tax Schedule A. In moving the second reading of the Bill Mr. Neville Chamberlain (Minister of Health) admitted that it was not intelligible at first perusal, but added that if the principles embodied in it were once grasped there would be no further difficulty.

He then explained that in the first part of the Schedule there was set out the scale of allowances for repairs and maintenance now permitted under the provisions of the Finance Act, 1923, so that this part of the Schedule assimilated the procedure in the case of rateable value to what was already the case in respect of Income Tax Schedule A. The second part of the Schedule dealt with three special cases, viz: (1) new houses; (2) houses which had been so reconstructed that they were practically new; and (3) houses which did not come under the Rent Restriction Acts, but which were out of control and let, it might be, at more than the 40 per cent. increase. What the Bill did was to say that the allowances on these properties must not in any case be greater than those specified in the second part of the Schedule.

A good deal is being written in the public press about the saving of super-tax that can be effected by taking out single-premium life assurance policies. It will be found, however, upon careful examination that the advantages are confined almost exclusively to the cases of persons in receipt of large incomes bearing a high rate of super-tax. Where the income is only a little over the super-tax limit there is little or nothing to be gained. Super-tax being calculated on a graduated scale, the greater the income is, the higher is the maximum rate, and consequently any reduction of the income by reason of life assurance will always operate to extinguish that part which is most highly assessed. Some of the insurance companies are doing a considerable amount of business in these single life policies, and in appropriate cases the advantages are well worth considering.

A number of important decisions relating to taxation matters were given last month, dealing *inter alia* with (1) the basis of Dominion income tax relief, (2) "residence" of companies carrying on business abroad with registered offices in this country, (3) *ex gratia* payments by a company on the cessation of business, and (4) profits made by betting transactions. The last mentioned came before Mr. Justice Rowlatt in the case of *Graham* v. *Green*, and his chief concern appeared to be to distinguish between profits made by bookmakers and profits made on other betting transactions. His decision was that betting profits, in order to come within the purview of the Income Tax Acts, must be so organised as to become a trade or vocation. He pointed out that a very remarkable result might otherwise arise, as betting losses could be set off against trading profits where the person carried on a separate trade or business. His Lordship accordingly held that betting, as generally understood, even of a systematic character, did not constitute a trade or vocation, and that any profits derived therefrom were merely accretions to capital.

The question of the basis of Dominion Income Tax relief arose in the case of *Rolls-Royce Limited* v. *Short*, and the effect of the decision of the Court of King's Bench is that, for the purpose of arriving at the relief, the same years' trading as regards the Dominion Income must be taken as the years which constitute the average for the British Income Tax assessment. The dispute arose in relation to the company's Indian branch on account of the fact that the basis of assessment to Indian Income Tax is the amount of the profits of the year of assessment, whereas the United Kingdom Income Tax is based on the three years prior to the year of assessment. The curious position therefore arose that, although Indian Income Tax was payable for the year 1921-22, relief was refused on the ground that the Indian branch had contributed no assessable profits to the head office in London for the years 1918, 1919 and 1920, which constituted the average for the British Assessment 1921-22. The results of the Indian branch for those years showed an average loss, but the branch nevertheless paid Indian Income Tax for the year 1921-22.

The company contended that the United Kingdom Income Tax, although computed on the average profits of the three preceding years, was in fact paid on the profits of the year of assessment, and that United Kingdom Income Tax had therefore been paid for the year 1921-22 on the whole of the Company's profits, which included the profits of the Indian branch; and that, as Indian Income Tax had also been paid for that year, the company was entitled to recover. Mr. Justice Rowlatt held that as no Indian Income had been included in the United Kingdom Profits for any of the three years that came into average, no British Income Tax had been paid in respect of Indian profits, and therefore nothing could be recovered.

Upon a company giving up its business, certain payments were made to employees by way of compensation for loss of office, either by way of cash payments or pensions. The resolution of the board to grant this compensation was passed some time before the company ceased to carry on business, and the employees were informed that the intention of the company was to treat their servants as generously as they had done in the past. Pensions had in fact been granted on various occasions. Provision was made in the profit and loss account of the last year of the company's trading for the compensation which was to be paid in cash, but the payments were not actually made until after the company had gone into liquidation. The Income Tax Commissioners allowed the deduction claimed, and the Inland Revenue appealed.

Mr. Justice Rowlatt allowed the appeal on the ground that the payments were not made for the purpose of the trade, as the trade was being discontinued. The previous payments for pensions, which had been allowed as a deduction by the Inland Revenue, he justified on the ground that they were made in order to keep up the character of the establishment, and to enable the company to continue their trade in the prospect of always having a good staff. The distinction seems to be a very fine one, as it could be contended on the other hand that those in the employ of the company, when the business was terminated, were accepting the salaries they received in the expectation of being treated in the same way as other employees had been treated in the past. The case was *Commissioners of Inland Revenue* v. *Anglo Brewing Company, Limited.*

For many years it has been regarded as an established principle that profits of a company made abroad were only assessable to income tax if the business carried on abroad was controlled from this country, the leading case being that of the *Egyptian Hotels, Limited*, v. *Mitchell*, but it now seems that as the result of the decision of the House of Lords last month, in the case of *Swedish Central Railway Company* v. *Thompson*, this principle may have to be modified. The facts of the recent case were that the registered office of the company was in London where the secretary resided. The directors were all resident in Sweden, where the business was carried on, managed and controlled. The sole business of the company was to draw a rent (£33,500 a year) from a railway in Sweden, which it had constructed and leased for a term of 50 years. The accounts were made up and audited in London, and dividends were paid to English shareholders from the London office.

The question that arose was whether the fact of the real control and management being exercised abroad was sufficient to exempt the company from Income Tax under Schedule D. Their Lordships held (Lord Atkinson dissenting) that although the business was controlled and managed from Sweden, so as to have a residence there, it was resident in the United Kingdom for the purposes of the Income Tax Acts. The decision was apparently based upon the fact of the registration being in this country together with the surrounding circumstances. It is not easy to reconcile this decision with that of the *Egyptian Hotels* case, where control was held to be the deciding factor, and it is not unlikely that further litigation may take place before a clear and intelligible ruling is arrived at.

An Incorporated Accountant who was the secretary and a director of a limited company, and remunerated for his services as such, successfully negotiated the sale of a branch of the company's business. This was no part of his duties as secretary or director, and he was awarded a commission of £1,000 for his services in the matter. He was assessed to income tax under Schedule E in respect of the payment thus received. Against this he appealed on the grounds (1) that there was no agreement between him and the company that he

should be paid for negotiating the sale, and that he could not at law recover any remuneration for his services; (2) that it was no part of his duty as secretary or director to conduct the negotiations; (3) that the payment was a voluntary gift; and (4) that negotiating the sale of businesses was not the ordinary work of his profession as an Incorporated Accountant, and therefore the £1,000 was a casual profit.

In deciding that the amount was assessable, Mr. Justice Rowlatt said: "When a sum is given as a testimonial for work done in the past, not directly as a remuneration for such work, but as a mark of the high regard in which the person receiving the money had been held by those with whom he had been associated, such a payment would not be in respect of his office. But where a business operation was carried out, as in the present case, by someone who was not called on to do it, and it was said that he ought to receive something for the work, that seemed to be a payment for his services in respect of his office. This case is more fully discussed in our leading article.

It does not often occur that the national accounts of a Republic are certified by a professional accountant. This occurs in the case of the Republic of Colombia, South America, the accounts of which are certified by a C.P.A., in the following terms: "I hereby certify that the accounts for the fiscal year 1923 were prepared under my personal supervision, and in my opinion substantially represent the correct financial condition of the Republic of Colombia as at December 31st, 1923, and the results of operations for the year."

The oldest Friendly Society, established in 1782, has just been removed from the register. This was the Elford Friendly Society, which at the time of dissolution had a membership of 26 and funds amounting to £845. Some of the rules of this society were rather quaint, one, for instance, providing—

> "That there shall be an Annual Feast provided at the Club House on Holy Thursday for the Members of the Society; and that each Member shall pay one shilling and sixpence whether present or absent and each absent Member shall forfeit two shillings and sixpence or be excluded; the absent Member's shilling shall be applied in defraying the expenses of the Dinner, and the sixpence shall go toward paying for Ale, every Member present to pay his Money before he goes to Church or sits down to dinner . . . . That every Member of this Society shall attend at the Club House on Feast day by Ten o'clock in the forenoon in person in decent Cloathes with his Wand in order to go to Church together, that no absent Member shall be allowed to send a substitute to walk in his place on Feast day and every Member not attending shall send his money to defray the Expenses of the Day:"

Alterations and Mutilations of Wills.

The Wills Act, 1837, sect. 9, provides that every will shall be in writing, and signed or acknowledged by the testator in the presence of two witnesses at one time, who shall attest the will, and by sect. 21 no obliteration, interlineation or other alteration made after the execution will be valid, except so far as the words or effect of the will before such alteration should not be apparent, unless the alteration is executed in the manner required for the execution of the will.

"Apparent" means apparent on due inspection of the instrument, not apparent by extrinsic evidence. Words beneath obliterations, erasures or alterations in a will are apparent if experts using magnifying glasses can decipher them; but it is not allowable to resort to any physical interference with the will so as to render clearer what may have been written upon it. Slips of paper which could have been removed were, after the execution of a will, pasted over certain words in it. These words could be read by an expert in handwriting on placing a piece of brown paper round them and holding the will against a window pane. This was held to be a concealment amounting to an obliteration of the words, but as they could be read by an expert they were held to be apparent (*Ffinch* v. *Combe* (1894) P., 191). Where by reason of obliteration *animo revocandi* words are not apparent, there is entire destruction *pro tanto* of the will, and therefore so far a revocation (*Townley* v. *Watson* (1844) 3 Curt., 761). Where a will, which has during the lifetime of the testator been in his possession, is found after his death in his writing desk in a torn condition it is presumed to be the act of the testator. But it is too wide to say that the law further presumes that he did it *animo revocandi*. That inference may in some cases be irresistible from the nature of the tearing, but where the nature and extent of the tearing are not conclusive of an intention to revoke, it is for those who assert revocation to prove that the act was done *animo revocandi* (*Jinkin* v. *Cowling* (1924) 40 T.L.R., 358).

A will may be made or altered in pencil as well as in ink (*re Usborne* (1909) 25 T.L.R., 519). A testatrix left a will and codicils duly executed. Various alterations were made in the codicils, including some words at the back of the first codicil, and subsequently a piece of blank paper was pasted over them. The Court made an order that the paper should be removed in order to ascertain what the words were (*re Gilbert* (1893) P., 183). In *re Adams* ((1872) L.R.. 2 P. & D., 367) the deceased executed a printed form of will. The blanks were filled up by the deceased, partly with ink and partly with a pencil. Some portion of the writing in ink extended over that in pencil, and some words of the latter had been rubbed out. The words in ink were sensible as read with the printed part of the will. The attesting witnesses did not

see the writing when they attested the will. The words in pencil were held to be deliberative only, and probate was granted without them. If in a will mainly written in ink, blanks are filled up before execution, the pencil additions are included in the probate. But a clause inconsistent with the rest of the will may be omitted from probate if cancelled in pencil (*re Tonge* (1891) 66 L.T., 60).

The burden of proof is on the person who seeks to rely upon an alteration in a will to prove that such alteration was made before the execution of the will. In the absence of evidence, alterations, interlineations and erasures are presumed to be made after execution. If the original words are not apparent, probate is granted in blank as to those words, or if they are apparent the probate contains the original words. Unless the alterations are important, slight evidence is sufficient to rebut this presumption (*re Hindmarch* (1866) L.R. 1, P. & D., 307). The presumption may be rebutted by evidence of declarations of testator's intention made before or at the time of execution, or by evidence of other persons that the alterations were made before execution (*re Jessop* (1924) 40 T.L.R., 800). A testator, after the execution of his will, made various interlineations, some of which were attested and some unattested. Among the latter was an interlineation giving a legacy of £1,000 to each of his executors. In the will he gave a legacy of £10,000 to one of his executors, and in a codicil recited that he had given a legacy of £11,000 to this particular person. These interlineations were held to be made prior to the execution of the codicil, and were therefore incorporated by it (*re Heath* (1892) P., 253). A will contained several unattested interlineations which were apparently written with the same ink and at the same time as the rest of the will, but at the time of execution the body of the will was covered up by the testatrix, so that the witnesses could not see whether the interlineations were there or not. The Court held that it was not bound to presume that these interlineations were made after execution, and admitted them to probate (*re Cadge* (1868) 1 P. & D., 543). Where testator indicates the place in the will where words written before execution are intended to come in, such words are regarded as a valid interlineation. A will written by a testator on the first side of a sheet of paper gave his property to his wife for life, and then commenced a sentence which was left incomplete. After the incomplete sentence was an asterisk, and the words "see over." The will, which covered the whole of the first side, was executed at the bottom of that side, and at the top of the second side was another asterisk and a devise to his daughter. This bequest was written before the will was executed. The words on the second side were held to be in the nature of an interlineation, and formed part of the will (*re Birt* (1871) L.R., 2 P. & D., 214). A will contained no nomination of executors in the body of it, but at the bottom, below the attestation clause, were the words "executors, W. G. and C. S." There was an asterisk before these words and an asterisk before the word "executor" wherever it occurred in the will, which were written before the execution of the will. After execution the testator directed the name of C. S., who was an attesting witness as well as executor, to be erased and the name of W. S. to be written over the erasure. The will was not re-executed after these alterations had been made. The nomination of executors was held to be included in the probate, but the name of C. S. was restored both as executor and attesting witness (*re Greenwood* (1892) P. 7). The signature of the testator and the attesting witnesses appeared at the bottom of the first page of a will, immediately after an unfinished sentence, which was completed overleaf on the second page. Probate was granted of the first part of the will (*re Anstee* (1893) P. 283).

In one case a testator desired the subscribing witnesses to place their names to his will, telling them of alterations therein made, but did not sign his name again. It was held a good re-execution by acknowledgment (*re Dewell* (1853) 17 Jur., 1130). The clause appointing executors was partly written on the second and partly on the third side of a will. Subsequently testator altered the clause, but his signature and those of the attesting witnesses appeared opposite only to the alterations which were made on the second side. Probate was granted of all the alterations (*re Wilkinson* (1881) 6 P.D., 100).

The will, with such alteration, is deemed to be duly executed if the signature of the testator and of the witnesses is made in the margin or some other part of the will opposite or near to such alteration, or at the foot or end of or opposite to a memorandum referring to such alteration, and written at the end or some other part of the will. The initials of the testator and witnesses are, but the initials of the witnesses alone are not, sufficient to verify alterations (*re Blewitt* (1880) 5 P.D., 116). There must be either an execution of the alteration or a re-execution of the will, and the testator and the witnesses do not comply with the statutory requirement by merely going over their signatures with a dry pen (*re Cunningham* (1859) 29 L.J.P., 71).

A testator, after the execution of the will but before that of the codicil, with a pencil struck through several paragraphs and initialled them on the margin; he also placed a query opposite other paragraphs. The codicil confirmed in so far as it did not alter the will. The alterations were held to be deliberative, and not final, and not included in the confirmation of the codicil, and therefore were omitted from the probate. (*re Hall* (1871) L.R., 2 P. & D. 256). A testamentary document, whether will or codicil, requires no special form of words. Where a document, duly executed and propounded as a second codicil, was written wholly on one page of one piece of paper, and formed one transaction, it was held to be entitled to probate along with the will and first codicil, although a material portion of the second codicil was written in a space above the signatures to the first codicil (*Oldroyd* v. *Harvey* (1907) P. 326). If there be a codicil to the will, and the codicil refers to unattested alterations in the will, this incorporates them in the codicil (*re Heath* (1892) P. 253). If the codicil takes no notice of them, the presumption is that

they were made after the date of the codicil, and the same presumption holds good regarding mutilations (*Christmas* v. *Whinyates* (1863) 32 L.J.P., 73). Evidence is admissible to show that the alterations were made before the execution of the codicil, and this is generally sufficient to incorporate them unless the circumstances show that the testator did not treat them as effectual alterations (*re Hay* (1904) 1 Ch., 317).

A will altered after the testator's death must, if possible, be restored to the state in which it was at the death of the testator, and probate is given without such alteration, as in *re Rolfe* ((1846) 4 Notes of Cases, 406), where the drawer of the will after the death of the testator corrected several errors in date and description. Whenever the context requires, words may be supplied, changed or transposed, when justified by the general intention of the will, but not unless it is absolutely necessary; the change or insertion is required to give to the whole sentence a uniform and consistent meaning which without it would be irrational or repugnant (*Abbott* v. *Middleton* (1855) 21 Beav., 143). "And" has often been changed by the Court into "or" and *vice versâ* (*Green* v. *Harvey* (1842) 1 Hare, 428).

Income Tax on Voluntary Payments.

The recent decision by Mr. Justice Rowlatt in the case of *Mudd* v. *Collins* adds one link more to a chain of cases on the question of the liability or non-liability to income tax of payments which are correctly described as voluntary in the sense that the recipient could not have enforced payment by an action at law. In this instance the payment was of £1,000, and was made by a company to a gentleman who is an Incorporated Accountant and the secretary and a director of the company. The payment was not secretary's salary nor director's fee. It was fixed as commission for special services rendered by him in negotiating a sale of a particular branch of the business at a price of £20,000. He was not bound to render those services, and, notwithstanding that the services had been rendered, the case was taken on the assumption that he could not have compelled the company to pay him the £1,000 or any sum for those services. The General Commissioners decided that income tax must be paid, and that decision has been upheld by Mr. Justice Rowlatt. The grounds of the decision are that, although the obligatory element was absent both in the rendering of the services and in the granting of remuneration for them, still the £1,000 was paid for the services and thereby became part of the profit of his office as secretary and director. The previous case law shows results both ways, but one is driven to the conclusion that the possibility of establishing non-liability for income tax is becoming more and more restricted.

It has long since been firmly established that the mere fact that a payment is voluntary is not of itself enough to escape taxation. The classic instance is that of Easter offerings to the clergymen of the Church of England. These are certainly voluntary in the sense that payment could not be compelled, but it is equally true that they are paid to the clergyman because he holds a particular office. It is right to recognise that in point of fact these offerings rest on long continued custom, and are recurring annual payments, which so far distinguishes them from the £1,000 in question in the recent case. Indeed it has been recognised by high judicial authority that an exceptional payment made to an incumbent, to enable him to take a foreign trip for the benefit of his health, might be in a different legal position. If so, the difference would rest partly on the exceptional cause and partly on the isolated nature of the payment. Enough has been said to show that the Easter offerings cases are not of themselves sufficient to rule such a case as this commission of £1,000 for an isolated negotiation outside the ordinary duties of any office held by the recipient.

Then there are judicial dicta on what is the result of the payment being made after the recipient has ceased to hold office. There was a case in Scotland in which Lord Dunedin (then Lord President of the Court of Session) said:—

> "I confess I have never been able to see how it [the payment there in question] could possibly be said to be in respect of his office, when the whole reason it was given to him was that he was no longer in office. That seems to me to end the whole question. It keeps out of the category the cases of Easter offerings."

But it cannot be taken absolutely that the mere fact that a payment is deferred until after the office has ceased to be held is enough to secure exemption. Indeed it will be observed that Lord Dunedin makes no such suggestion, for what he says is something quite different, namely, not merely that the money was paid after the termination of office, but actually on account of the termination of office. Now there are other cases in which it might almost be true to say that the payment is made, no doubt after termination of office, but rather notwithstanding that the office has terminated.

Then there are cases in which no remuneration is attached to an office, but there comes some special occasion on which a voluntary payment is made. The argument for exemption then is that the office in itself is not an office of profit, and that being so, there can be no taxable profit in respect of it. But it has been judicially recognised that that savours of arguing in a circle, and tax liability may arise all the same.

The best exemption case is *Cowan* v. *Seymour*, decided in the Court of Appeal in the year 1919, and reported in 36 Times Law Reports, 155. The

Commissioners and Mr. Justice Rowlatt had affirmed liability, but a strong Court of Appeal unanimously reversed and let the payment go free. The sum there was about £600, which had been paid to a gentleman who had been secretary, and at a later date liquidator, of a certain company, in both cases without remuneration. At the termination of his office the shareholders presented him with the sum in question. It is an instructive case, and may be useful as a guide. There was some little doubt in the Court of Appeal whether the case should not have been sent back to the Commissioners to find the facts more specifically, and in that connection it is certainly most important to note that very great weight may attach to the findings of the Commissioners in such a case. There is apt to be a great deal of argument as to what is fact and what is law, or at any rate not pure fact, but it very commonly results that what the Commissioners have found as facts may be very difficult to get over when the case goes to the Courts. In *Cowan* v. *Seymour* the circumstances were striking. The contracts of employment as secretary and then as liquidator were expressly without remuneration. Therefore for the company to have paid remuneration would have been *ultra vires* and illegal, and no payment was made by the company. The payment was made by the shareholders, and no doubt any one shareholder could have objected to a single penny of the payment being deducted from him. The gift was therefore voluntary at both ends in the fullest sense. It is also undoubted that the recipient had ceased to hold office before he received the money. Even there, however, one is left to face the fact that except for the services the payment would never have been made, and that is always a strong feature in favour of the Crown in such cases. The opinion delivered by Lord Justice Younger (now Lord Blanesburgh) is of exceptional interest. He said:—

"Here the personality of the appellant is everything; his office relatively nothing. The services may perhaps have been the *conditio sine quâ non*—they were not the *causa causans*."

Then his Lordship proceeded to formulate four questions, every one of which he was prepared to answer in favour of the recipient of the money, and it is well to see what those questions were, namely: (1) Was the payment at its highest more than a gratuity after holding an office? (2) Was it a gift after he had left his office? (3) Was it a testimonial? (4) Was it a free-will offering personal to the recipient?

Upon this leading case of *Cowan* v. *Seymour* two further points may be noted. In the first place, the Master of the Rolls said that if the resolution for the payment had been made by the company—and that assumes that such a resolution could have been legally made—the money would have been taxable. In the second place, Lord Blanesburgh said that in his opinion the payment in its essence was not a profit of an office at all, and would not have been so even if the recipient had still been in office when he received the money.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Friday, March 20th, when there were present:—Mr. G. S. Pitt (London), President, in the chair; Mr. Thomas Keens (Luton), Vice-President; Mr. W. Bateson (Blackpool), Mr. J. W. Blackham (Birmingham), Mr. E. W. E. Blandford (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. Arthur Collins (London), Mr. J. M. Fells, C.B.E. (London), Lieut.-Colonel James Grimwood, C.B., D.S.O. (London), Mr. R. Leyshon (Cardiff), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. Arthur E. Piggott (Manchester), Mr. G. E. Pike (London), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. F. Walmsley, J.P. (Manchester), Mr. W. T. Walton, J.P. (West Hartlepool), Mr. F. Ogden Whiteley, O.B.E. (Bradford), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Sir Charles H. Wilson, M.P., LL.D. (Leeds), Mr. A. E. Woodington (London), and Mr. A. A. Garrett, B.Sc., Secretary.

Apologies for non-attendance were received from Mr. Richard Smith (Newcastle-on-Tyne) and Mr. A. H. Walkey (Dublin).

Death of Mr. Arthur Edward Green.

At the commencement of business the President referred to the regretted death of Mr. Arthur Edward Green, Past President, who had been a member of the Council for 39 years. A resolution of condolence with the relatives of the late Mr. Green was adopted by the Council rising in their seats.

The Secretary also reported the deaths of the following members:—Mr. Thomas Benjamin Davis Fowler (Fellow), Bristol; Mr. Ernest Marsh (Associate), Wakefield.

Membership in Australia.

The Council received a report from a Special Committee appointed to consider questions affecting the membership of the Society in Australia, arising from the representations which Mr. Arthur S. Baillieu, A.S.A.A., of Melbourne, the President of the Society's Victorian Committee, had submitted to the Council.

Gold and Silver Medals, 1924.

Awards were made by the Council as follows:—

Gold Medal to Mr. Ernest Long, Clerk to Mr. Edmund Lund, F.S.A.A., City Treasurer, Carlisle, who was awarded the First Certificate of Merit at the Final examination in November.

Silver Medal to Mr. Albert Berina Sturgess, Clerk to Messrs. Viney, Price & Goodyear, London, who took the First Certificate of Merit at the Final examination in May.

Annual General Meeting.

It was resolved that the annual general meeting of the Society be held on Tuesday, May 12th, at 3 p.m., at Cordwainers Hall, Cannon Street, London, E.C.

Irish Branch and Belfast District Society.

The Vice-President reported on the visit of himself and the Secretary to Dublin and Belfast respectively, and of the meetings with members in those centres.

District Societies.

The Council received a special report from the District Societies' Committee as to the finance and organisation of District Societies. The report was adopted, and copies were ordered to be forwarded to the respective District Societies.

North Staffordshire District Society.

The Council granted the petition received from local members for the establishment of a District Society in North Staffordshire, the centre of which would be at Stoke-on-Trent.

Company Law Amendment.

It was reported that the Board of Trade Committee had invited the Society to give evidence. It was resolved that the President be the witness on behalf of the Council.

DISPUTE AS TO ACCOUNTANTS' CHARGES

In the Mayor's and City of London Court, on Thursday, February 26th, before Judge Shewell Cooper, a claim was made by Messrs. Bullard, Gaul, Pettitt & Co., 16, Albemarle Street, London, W., Chartered Accountants, against Colonel Alfred Smith, 5, King's Bench Walk, London, E.C., financial agent, for £58 0s. 9d.

Mr. Hull, for the plaintiffs, said that the sum claimed represented the balance of account for professional services rendered and disbursements made by the plaintiffs as Chartered Accountants for and on behalf and at the request of the defendant. The work was done, and payments made, in connection with the formation and incorporation of a company called Smith's Controlled Power Limited.

Mr. Pettitt, partner in the plaintiff firm, gave evidence to the effect that his firm were first consulted with a view to turning a firm, in which the defendant was a partner, into a company, but that matter dropped. Subsequently plaintiffs were asked to take the necessary steps to register Smith's Controlled Power Limited, which they did. The defendant paid £25 on account of disbursements, and the company was registered in March of last year.

Replying to the Judge, the witness said that the instructions given by Colonel Smith were received by the plaintiffs before the company was registered.

Continuing, witness said that it was agreed by the defendant that the plaintiffs' fee in connection with the work should be £31 10s., plus out of pocket expenses.

Mr. O'Malley, who appeared for the defendant, said that Colonel Smith contended that he was not personally liable. In the negotiations with regard to the incorporation of Smith's Controlled Power Limited, Mr. Gaul, partner in the plaintiff firm, who was a director of the Vulcan Iron and Metal Works (1918) Limited, and a co-director of his, Major Smith, became interested in the patents in which he (defendant) was also interested, therefore he regarded the flotation of the Smith Controlled Power Limited as a joint venture with those two gentlemen. Further, the first accounts for the sum now claimed by the plaintiffs were sent to Smith's Controlled Power Limited, and it was only when the plaintiffs realised that that company was a failure that they sought to make him personally responsible.

Colonel Smith, in evidence, said the question of forming a company was first mooted by Mr. Gaul.

Judge Shewell Cooper, in giving judgment for the plaintiffs, with costs, said that in choosing between the two stories he preferred that given on behalf of the plaintiffs. On looking into details of the charges he found that some 36 hours work had been done by the principals in the plaintiffs' firm in connection with the matter, and he had been told, on behalf of the plaintiffs, that their usual charge for such work was £1 1s. per hour. In his view that was a perfectly reasonable charge for a Chartered Accountant to make, although in the present case, owing to the fact that an agreed charge of £31 10s. had been made, it was not of much importance. His Lordship, however, pointed out that as the instructions to do the work were given by Colonel Smith before the company was in existence it was impossible, in law, to look to the company for payment unless there had been a fresh definite agreement made on behalf of the company ratifying the original contract. He was satisfied that there was no evidence that such ratification had taken place.

CHIEF LEGAL DECISIONS AFFECTING RATING.

From 1920 to 1924.

It is not surprising, having regard to the fact that modern rating law is based chiefly on the Poor Relief Act, 1601—often called "the Statute of Elizabeth"—that circumstances, times and conditions have demanded much subsequent legislation, which in turn has yielded a wealth of legal decisions. The many statutes with their varying principles and more varying interpretation have produced many anomalies. In addition, there is a lack of simplification in rating law and a complicated machinery of administration inevitable in a system virtually established in the reign of Elizabeth, which are applicable to the subjects of King George V. Even the term "poor rate" is a misnomer, as it is mostly levied for purposes other than the relief of the poor. In a rural parish it covers also the expenses of the county council, the rural district council and the parish council, whilst in a borough it includes the borough rate.

Rating reform has been one of those reforms which has always brooked no delay, and therefore has been postponed or crowded out of the legislative activities of successive Governments. This Government has given rating reform a place in the King's Speech, and it is thought probable that a new Rating and Valuation Bill may be passed in 1925 and may be operative in 1926, or possibly may be subject to the same fate as its predecessors and be deferred till a more convenient session. In the interval the present rating law, with its anomalies and complexities, still governs us, and here is shortly summarised the chief legal decisions relating to rating for the last five years.

London Quinquennial Valuation.

At the quinquennial valuation in 1920, certain premises in the City of London were assessed at £548 gross and £457 rateable value. In 1921 a portion of the premises was let to the Postmaster-General at a rent of £965. In September, 1923, the Assessment Committee purported to make a further provisional list, in which the rateable value of this portion was entered as £568, no gross value being inserted. It was held that since sect. 47 (1) of the Valuation (Metropolis) Act, 1869, requires a provisional list to contain both gross and rateable values, and that no notice of the making of the further provisional list was served on the owner, being a person paying the rates in question, that the further provisional list was not in proper form, and it was accordingly quashed (*R.* v. *City of London Assessment Committee* (1924) 158 L.T.N., 410).

Local Authorities and Rates.

Guardians, without availing themselves of the remedy afforded by sects. 2 and 3 of the Local Authorities (Financial Provisions) Act, 1921, obtained a rule *nisi* calling upon a borough council to show cause why a writ of *mandamus* should not issue compelling them to levy a rate to pay two supplementary precepts. It was held, without deciding

whether the Act of 1921 afforded an alternative remedy equally appropriate, beneficial and convenient, that where the effect of ignoring the statute is that the existing body of ratepayers bears an unusually heavy burden and corresponding relief is remitted to a later body of ratepayers, and where doubt has been suggested as to whether the statutory rules governing the procedure of the guardians have been complied with, no *mandamus* should be issued (*R.* v. *Woolwich* (1923) 87 J.P., 30).

Failure of Local Authority to Obey Precept.—Where a metropolitan borough council fails to meet a precept, a receiver may be appointed on the application either of the authority issuing the precept or the Ministry of Health (*R.* v. *Poplar Borough Council* (1922) 1 K.B., 72).

Wrong Name in Rate Book.—Overseers were directed to rate owners of rateable hereditaments of the annual value of £8 and under to the poor rate instead of the occupiers, and to allow the owners an abatement of 15 per cent. from the amount of the rates. The appellants were agents and collected the rents of certain houses, and from 1916 to 1920 paid the poor rates in respect of them, but another name than theirs appeared in the rate books as owner. In two rates made in 1921 this other name still appeared as owner. It was held that the appellants were not estopped from claiming that they were not the persons represented in the rate book in 1921, and therefore no distress warrants should be issued against them in default of payment of the two rates made in that year (*Pigg* v. *Tow Law* (1924) 22 L.G.R., 17).

There is no provision in the enactments relating to the levying and the mode of collecting either the general district rate or the poor rate which requires that the demand for payment of the rates should be made within the year for which the rates were made, and, therefore, in neither case is it necessary that the demand for payment should be made within the year, and *a fortiori* there is no requirement that proceedings to enforce payment of the rates must be taken within the year (*Gill* v. *Mellor* (1924) 1 K.B., 97).

Undertaking of Local Authority to Contribute to Rates for Execution of Works.—In *Wheeler* v. *Ouse Drainage Board* ((1923) 39 T.L.R., 537) it was held that the power of a local authority to undertake to contribute to the expenses of the respondent drainage board extends only to expenses of the execution and maintenance of drainage works and not to administrative and general expenses, and does not relieve the individual ratepayer from liability to pay a rate made by the board for the latter expenses.

Rent Restriction Acts.

Matters to be Considered in Ascertaining Gross Rental Value.—The Increase of Rent, &c., Act, 1920, does not affect the gross value of hereditaments to which it applies (*Poplar* v. *Roberts* (1922) 2 A.C., 93).

Valuation Lists.

Individual Valuation.—Overseers made a supplemental valuation list upon the basis of an addition of 25 per cent. to the gross and net values of certain classes of property other than those attached to business premises; and there was no evidence of any individual valuation of any one hereditament in the parish. It was held that this was not a proper valuation list; and that appellant was not bound to serve notice of objection upon any of the occupiers of residential property (*Stirk* v. *Halifax* (1922) 1 K.B., 264).

Notice of Objection to Valuation.—The appellants gave the following notice: "I enclose rate and demand note, against which we wish to lodge an appeal. In 1917 the value of our premises was £102; in 1920 £136, and this year £255, showing an increase in two years of 150 per cent. No alterations have been made to the premises, and the assessment is out of all proportion to the accommodation we have." It was held that this letter was a sufficient notice of objection to support an appeal against both gross and rateable values (*Halifax Equitable, &c., Society* v. *Bradford* (1922) 127 L.T., 594).

Unfair Discrimination between Similar Properties.—Where a class of hereditament has increased in value and is in process of re-valuation, it is unfair to include in a supplemental list such of the hereditaments whose re-valuation has been completed while the remainder continue meanwhile to pay rates on their old assessment (*Double* v. *Southampton* (1922) 2 K.B., 213).

Admissibility of Evidence of Rateable Value of another Hereditament.—Evidence of the rateable value of similar hereditaments may be admitted and without notice to persons concerned, where the appellant desires to show that his rating is too high as measured by the approved standard of rating of the other premises (*Pointer* v. *Norwich* (1922) 2 K.B., 471).

In *Hunter* v. *Swindon* ((1922) 2 K.B , 630) evidence of value of house property was admitted without the prescribed notice of sect. 6 of the Poor Rate Act, 1801 (which provides that persons appealing against a rate shall give notice, not only to the overseers, but also to all persons concerned in the event of such appeal) to show that the whole scheme of re-valuation confined to business premises was bad.

In *Ulster Bank* v. *Northern Ireland Ministry of Finance* ((1923) 2 Ir.R., 173) it was held that evidence as to the rateable value of other premises should be admitted if it can be shown that by reason of some similarity in conditions their net annual value may assist in determining the net annual value of the premises in question.

Absence of Notice of Objection to Gross Value.—A notice of objection to a valuation list under the Union Assessment Committee Act, 1862, sect. 18, on the ground that the valuation is unfair and incorrect, is a good notice, and it is not necessary to state therein the reasons why the valuation is unfair or incorrect. A Court of Quarter Sessions is not debarred from inquiring into the correctness of the gross value by the fact that no notice of objection to the gross valuation has been given (*Gateshead* v. *Redheugh Colliery* (1925) 60 L.J.N., 31).

The partial exemption from the general district rate of land covered with water, under the Public Health Act, 1875,

sect. 211, does not apply to a dock which came into existence as an assessable hereditament after the date of the scheme made under the London Government Act, 1899 (*Port of London Authority* v. *Woolwich* (1924) 1 K.B., 30).

Deposit of Valuation List.—A valuer was appointed to value the hereditaments in a certain parish, excluding railways, collieries, &c. The valuer, however, made and signed a valuation list of all the hereditaments in the parish, including the excepted properties, which he entered at the existing figures. Subsequently, the Assessment Committee, with the valuer's consent, altered the assessment of the excluded hereditaments in conformity with the latest returns of output. The overseers having declined to deposit the list so made and altered, it was held that it was not a proper valuation list, and that the Court would not compel the overseers to deposit it (*R.* v. *Llanhilleth* (1923) 87 J.P., 189).

Distress for Rates.

On the hearing of a complaint in respect of the non-payment of rates, the Justices have no jurisdiction to refuse to issue a distress warrant on the ground that the supplemental valuation list on which the rate was based is invalid (*Shillito* v. *Hinchcliffe* (1922) 2 K.B., 236).

The exemption of "beasts that gain the land" from liability to distress, in the Act of 51 Henry III, statute 4, does not apply to statutory distress, *e.g.* distress for poor rates, founded on the Poor Relief Act, 1601. There is no exemption of "beasts that gain the land" in that Act (*McCreagh* v. *Cox* (1923) 39 T.L.R., 484).

An injunction was claimed to restrain the defendants from taking proceedings by distress to recover a poor rate and general district rate on the ground that the rates were due and payable more than twelve months before the sanction of the Court to a scheme of arrangement of affairs of the company, and that defendants were bound by the scheme of arrangement as unsecured creditors. It was held, as to the poor rate, that the valuation list and the amount of the rate having been amended by the Assessment Committee on the plaintiffs' objection within twelve months before the sanction of the scheme of arrangement, the rate was a preferential debt under the scheme, and the proceedings were in time, and that by the operation of sect. 222 of the Public Health Act, 1875, the same principles applied to the general district rate (*Kershaw & Co.* v. *Stockport* (1923) 21 L.G.R., 453).

Rateable Occupation.

Occupation, in order to be Rateable, must be Exclusive.—In *Vernon* v. *Castle* ((1922) 127 L.T., 748) a corporation demised to respondent "Corporation Wharf, Moore's Quay, and Arch Quarry Quay," subject so far as Corporation Wharf was concerned to the reservation by the corporation of the exercise of certain rights of user in common with the respondent, which rights they exercised to a substantial extent. In a poor rate the respondent was assessed as the occupier of premises described as "quay and wharves," and he refused to pay the rate on the ground that he only occupied a wharf, which did not answer the description in the assessment, and that he had been assessed for property of which he only used or enjoyed a part. It was held that the words "quay" and "wharf" must be treated as equivalent and interchangeable, and that the respondent was in sufficient exclusive occupation of the premises to render him rateable in respect of them.

The Rating of Machinery and Plant.—In *Consett* v. *Durham* ((1922) 87 J.P., 1) it was held that in the rating of blast furnaces it is a question of fact whether they are to be regarded not singly, but as one rateable hereditament and in beneficial occupation, though some may be out of blast.

Basis of Valuation of Whole Undertaking.—Where an undertaking is carried on by a local authority, the gross receipts for this purpose include the actual payments for water, or gas and any water rates received. The principle is that the power of obtaining money by means of a rate in order to meet a deficiency is to be taken into consideration in calculating the rateable value. Having regard to what are landlords' expenses, the question is what advantage does the hypothetical tenant derive from the statutory power? (*Metropolitan Water Board* v. *St. Marylebone* (1923) 1 K.B., 86).

Occupation by Contractors.—Appellants were to erect new waggon works for a railway company on the company's land. For that purpose they erected on the land their own temporary buildings, and by the terms of the contract the control of these buildings was wholly in the hands of the railway company's engineer, who was to superintend the arrangement or method of erection and require alterations as he thought fit. It was held that the appellants were not liable to be rated. A mere user of the land permitted by the railway company and subject, as regards the erection of temporary buildings, to the control of their engineer, was not such an occupation of the buildings, nor such an exclusive or predominant occupation of the land itself, as was essential to rateability (*Cleveland Bridge, &c., Company* v. *Darlington* (1923) 21 L.G.R., 511).

Premises Undergoing Reconstruction.—From May 13th to October, 1922, certain premises of the respondents, used for the purpose of a fever hospital, were in the hands of contractors for the purpose of reconstruction. On April 1st, 1922, a rate was made, and it was held that the respondents were in rateable occupation of the premises during reconstruction (*Hackney* v. *Metropolitan Asylums Board* (1924) 40 T.L.R., 645).

Cessation of Work in Mine during Industrial Depression.—The appellants were rated as the occupiers of certain tin mines. Owing to adverse industrial conditions the working of the mines ceased, except for maintenance of plant. Part of one mine was abandoned owing to flooding. It was held that since the mines were not exhausted, and had not ceased to exist as mines, the appellants were properly rated (*East Pool & Agar* v. *Redruth* (1923) 2 K.B., 405).

Reduced Output Owing to Strike.—Quarter sessions having decided that a practice which had existed in the union of taking the actual output of the collieries in the parish for the previous twelve months should have been followed in arriving at an assessment, it was held that there was no obligation of law which required that such practice should be followed; that the question for the Assessment Committee

was what was the true assessable value of the collieries? and that that depended on what, in their judgment, a tenant would give for the collieries in the coming year (*Durham* v. *Tanfield* (1923) 2 K.B., 333).

Court Room Occasionally Used for County Administrative Business.—A county council, who are charged with the statutory duty of providing a building for the Sheriff Court and who are owners of the building which they erected for that purpose, do not become liable for owners' or occupiers' rates because the court room is occasionally used by the district committee of the county council, by privilege and without payment, for meeting for county administrative purposes (*Fife County Council* v. *Kirkaldy* (1920) S.C., 548).

TITHE RENT CHARGE.

In Ascertaining Rateable Value Whole of Rate must be Deducted.—By sect. 1 of the Tithe Rent Charge (Rates) Act, 1899, the owner of tithe rent charge attached to a benefice is exempt from one-half of the amount of any rate to which that Act applies which is assessed on him as owner. The section does not affect the procedure by which the rateable value of a tithe rent charge is to be assessed, but merely has reference to the relief to which the owner is entitled from the payment of half the rates upon the assessment arrived at in the ordinary way (*Piggott* v. *Cuckfield* (1921) 2 K.B., 647). The whole of the rates to which the tithe rent charge is subject should be deducted, and not merely one-half.

Plurality of Benefices does not affect Rateability.—Where two or more benefices are united "for ecclesiastical purposes only" by Order in Council under sect. 16 of the Pluralities Act, 1838, they remain distinct for rating purposes under the proviso to that section. Such united benefices are not a "district formed for ecclesiastical purposes by virtue of statutory authority" within the meaning of the Tithe Rent Charge (Rates) Act, 1899, sect. 2 (1) (*b*) (*Keane* v. *Ashbocking* (1922) 1 K.B., 143).

Two benefices were held together by one incumbent. Each parish had a separate church, churchwardens, registers and tithe rent charge, and was in all respects a separate parish, the parishioners of one having no rights in the parish of the other. The tithe rent charge of one was £275, and of the other £153 a year. The rector, by statutory declarations under sect. 1 (2) of the Ecclesiastical Tithe Rent Charge (Rates) Act, 1920, claimed the exemption from rates afforded by the sub-section on the ground that the two parishes constituted two benefices, and that the income of neither exceeded £300. It was held that the parishes could not be treated as two separate entities, and that the rector could not invoke the relief granted by the Act (*Carpenter* v. *Laindon* (1922) 86 J.P., 161).

Statutory Declaration.—An incumbent is entitled under sect. 1 (2) of the Act of 1920 (*supra*) to an abatement of rates on tithe rent charge where he produces to the overseers a statutory declaration showing that the total income does not exceed £300, or is between £300 and £500. In calculating the total income for the purpose of the declaration the incumbent is entitled to deduct annual payments ordered to be made by Order in Council to other parishes, and also payments ordered to be made by declaration of a bishop to a former incumbent, the total income arising from the benefice meaning the total income arising to the incumbent (*R.* v. *Latchingdon* (1922) 2 K.B., 14).

The Commissioners of Church Temporalities in Wales are a lay corporation, and as such are assessable to sewers rate levied by commissioners of sewers in respect of tithes or tithe rent charges vested in them (*Church Temporalities Commissioners* v. *Gustard* (1923) 1 K.B., 610).

The tithe rent charges issuing out of certain lands in a parish were redeemed in consideration of an annuity payable by the landowner for a term of 40 years. Thereupon the overseers made a supplemental list increasing the gross estimated rental and rateable value of the lands and reducing the assessments of the tithe rent charges affected by the redemption by amounts equal to the amount by which the gross estimated rental of the lands was increased. It was held that the lands could not be re-valued by this simple process and that the rule laid down by sect. 1 of the Parochial Assessments Act, 1836, for ascertaining the rateable value must again be applied (*Twitchin* v. *Alton* (1924) 22 L.G.R., 482).

COMMERCIAL EDUCATION PRIZES.

The annual distribution of prizes and medals gained by candidates at the examinations of the London Chamber of Commerce were distributed at a meeting at the Mansion House on March 4th last by the Right Hon. Lord Eustace Percy, M.P. The chair was taken by the Right Hon. the Lord Mayor (Sir Alfred Louis Bower).

Among other prizes distributed were those awarded by the Society of Incorporated Accountants in the junior examination for book-keeping, handwriting and arithmetic. The prizemen were Mr. Leslie W. Inman (Greenwich), Mr. Laurance J. Sillito (Greenwich).

Lord Eustace Percy, distributing the prizes, referred to the wide range of schools from which the successful competitors were drawn. He was inclined to think that there was too great a tendency at the present time to draw hard and fast lines between what was termed liberal education and what was termed technical and vocational education. He considered that vocational studies such as were fostered by the Chamber of Commerce formed an important part of a liberal education, particularly so in the case of foreign languages. He felt that in regard to foreign languages it was not sufficient that a person should be able to use the language in a practical way, but he should be able to understand the needs, the ideas, the society and history of the other nations with which commerce was carried on. In general his view was that vocational education was most effective when based on a liberal education.

Professional Appointment.

Mr. R. G. Davidson, F.S.A.A., has been appointed Joint Accountant of the Southern Railway Company in conjunction with Mr. A. Howie. Mr. Davidson acted for a number of years as General Assistant to Mr. Hartnell, the Accountant of the London and South Western Railway, and in that capacity was placed in charge of the alteration and revision of the accounts of the company necessitated by the Railway Companies (Accounts and Returns) Act, 1911. Subsequently he became one of the original investigators on behalf of the Government for the examination of railway companies' accounts during the period of Government control.

VALUATION (METROPOLIS) BILL.

A Bill to Amend the Third Schedule to the Valuation (Metropolis) Act, 1869, in relation to the making and revision of the valuation list, which will come into force on April 6th, 1926.

Amendment of Schedule III of 32 & 33 Vict., c. 67.

1.—(1) The Valuation (Metropolis) Act, 1869 (in this Act referred to as "the principal Act"), shall, for the purpose of the making of the valuation list thereunder which will come into force on April 6th, 1926, and for the purpose of the revision of that list, have effect as if for the Third Schedule to the principal Act (which schedule shows the several classes into which the hereditaments inserted in a valuation list under the principal Act are to be divided and the maximum rate of deductions which may be allowed for the purpose of ascertaining rateable value) there were as respects the classes of hereditaments therein numbered 1, 2, 3, 4 and 5 (including houses and buildings let out in separate tenements) substituted the provisions contained in Part I of the Schedule to this Act:

Provided that—

(*a*) Where the rateable value of any hereditament if calculated on the basis of allowing a deduction from gross value at the maximum rate authorised by Part I of the Schedule to this Act (hereinafter referred to as "the normal rateable value") would exceed the rateable value which would be produced by taking as the gross value of the hereditament its gross value as ultimately appearing in the valuation list which came into force on April 6th, 1916, increased by 40 per cent. (in this Act referred to as "the increased gross value") and deducting from the increased gross value an amount equal to the maximum deduction allowed under Part II of the said Schedule, the normal rateable value may, unless the case is one to which paragraph (*b*) hereinafter contained applies, be reduced to an amount not less than the rateable value which would be produced as aforesaid; and

(*b*) In the case of a hereditament which was not included in the said valuation list or the gross value of which as shown in the said valuation list has been increased by reason of structural alterations or has been increased by more than 40 per cent., there may be allowed as a deduction for the purpose of ascertaining rateable value such an amount, not exceeding in any case the maximum deduction authorised as respects hereditaments of that class under Part II of the said Schedule, as appears equitable having regard to all the circumstances of the case.

(2) Where the amount of the rateable value calculated in accordance with the provisions of the principal Act, as amended by this Act, includes a fraction of a pound, that fraction shall be disregarded and the amount to be entered in the draft valuation list or in the valuation list recorded accordingly.

Short Title.

2.—This Act may be cited as the Valuation (Metropolis) Amendment Act, 1925.

Schedule.

Part I.

Class of Hereditaments.	Maximum Amount of Deduction.
Class 1.—Houses and buildings without land other than gardens where the gross value does not exceed £40.	An amount equal to one-fourth of the gross value.
Class 2.—Houses and buildings without land other than gardens where the gross value exceeds £40 but does not exceed £100.	£10 or an amount equal to one-fifth of the gross value, whichever is the greater.
Class 3.—Houses and buildings without land other than gardens where the gross value exceeds £100.	£20, together with an amount equal to one-sixth of the amount by which the gross value exceeds £100.

Part II.

Class of Hereditaments.	Maximum Amount of Deduction.
Class1(a).—Houses and buildings without land other than gardens where the increased gross value does not exceed £20.	An amount equal to two-fifths of the increased gross value.
Class1(b).—Houses and buildings without land other than gardens where the increased gross value exceeds £20 but does not exceed £40.	£8, together with an amount equal to one-third of the amount by which the increased gross value exceeds £20.
Class 2.—Houses and buildings without land other than gardens where the increased gross value exceeds £40 but does not exceed £100.	£15, together with an amount equal to one-fourth of the amount by which the increased gross value exceeds £40.
Class3(a).—Houses and buildings without land other than gardens where the increased gross value exceeds £100 but does not exceed £150.	£30, together with an amount equal to one-fifth of the amount by which the increased gross value exceeds £100.
Class3(b).—Houses and buildings without land other than gardens where the increased gross value exceeds £150.	£40.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotion in, the Membership of the Society have been completed since our last issue:—

ASSOCIATE TO FELLOW.

Brandon, William Harold, A.C.A. (H. B. Brandon & Co.), 22A, Donegall Place, Belfast, Practising Accountant.

ASSOCIATES.

Allen, Charles William, Clerk to Edwards & Edwards, 22, High East Street, Dorchester.

Baines, John Vincent, Clerk to W. T. Walton & Son, 3, Scarbro' Street, West Hartlepool.

Bayliss, Lionel Mark, Clerk to W. M. Bayliss, 16, Broad Street, Oxford.

Benton, Richard Leonard, Clerk to Chiene & Tait, Bush House, Aldwych, London, W.C.2.

Burke, Harold, Clerk to Oakley & Williams, 118, Queen Victoria Street, London, E.C.4.

Carnes, George Elgar, Clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.

Coles, George William Thomas, Borough Treasurer's Department, Municipal Offices, Gravesend.

Cressey, Sydney, City Treasurer's Department, Guildhall, Hull.

Davar, Dorab Rustomji, Clerk to K. S. Aiyar & Co., 65, Apollo Street, Fort, Bombay.

Gibson, Leslie Waite, Clerk to Waters & Atkinson, 2A, Euston Road, Morecambe.

Jewell, Harold William, M.C., Accountant's Department, Prudential Assurance Company, Limited, London, E.C.1.

Levy, Isidore, Clerk to Slater, Chapman & Co., Viaduct Chambers, 38, Holborn Viaduct, London, E.C.1.

Ricks, Reginald Frederick John, Clerk to Frederick Stokes, 22, Union Road, Nottingham.

Rodda, William Ian Jesse Trudgeon, Clerk to Richard Leyshon & Co., 128-129, Bute Street, Cardiff.

Summers, Sam, Chief Accountant, Harrods (Buenos Aires) Limited, Florida 877, Buenos Aires.

Mr. A. H. Edwards, Incorporated Accountant, has been elected a member of the Dorset County Council for the Dorchester West Ward.

ACCOUNTANT'S ACTION FOR DAMAGES AND SLANDER.

At the Leicestershire Assizes, on Friday, February 27th, Alphonso Raymond Taylor, Chartered Accountant, Leicester, sued Thomas H. Hincks, leather merchant, Leicester, for damages for slander.

Mr. Birkett, K.C., and Mr. Loseby were for plaintiff, and Mr. Hinde for defendant.

Mr. Birkett said that plaintiff had been appointed trustee in regard to the estate of Mr. J. H. Vernon, boot manufacturer, Leicester. There were 37 creditors, and Mr. Hincks, the defendant, was the largest. He, with two other creditors named Ordish and Whitwell, were appointed a committee of inspection. Matters went on for some time, and it was agreed that the estate should be realised. Plaintiff proceeded to do this, but at a meeting in January last year defendant said rumours were abroad that the estate was being kept open too long, for the benefit of the committee rather than the ordinary body of shareholders. On July 28th, the date of the alleged slander, defendant convened a meeting of creditors, but only sent a notice out to ten, instead of the 37. At that meeting he said: "We have several complaints against Mr. Taylor as trustee of this estate. The first is that he ignores the committee entirely. He does things off his own bat. The next complaint against Mr. Taylor is that he has money in hand expressly given him for a certain purpose which has not been discharged. He has £12 or £14 in hand belonging to me, and about £10 belonging to Mr. Ordish. That money was handed to Mr. Taylor and he refuses to pay it over. The next complaint is that he has caused unnecessary expense to the estate by not calling the committee together. The next complaint is that all the money coming from the estate will be required for costs. There will be no dividend The next complaint is that he has bought things out of the estate for himself. Whether that is legal or not I am not going to say, but we think something should be done, and we did not know of any other method we could deal with a man like Taylor."

Plaintiff gave evidence that he had carried out the duties of trustee in the usual manner, and that there were no foundations for the imputations made by Mr. Hincks. The money spoken of by defendant had been paid back to him and Mr. Ordish. In dealing with details concerning the business of Mr. Vernon, Mr. Taylor said he was instructed to advertise for a working partner with a capital of £200.

His Lordship: Was the business then solvent?

Plaintiff: No, my lord.

His Lordship: Are working partners with £200 capital, who are willing to put their money into an insolvent concern, common in Leicester? (Laughter.)

Plaintiff: Well, my lord, if he had put his £200 in it would have been solvent.

His Lordship: But you didn't get a partner?

Plaintiff: No.

His Lordship: Ah, I should think not.

In cross-examination plaintiff agreed that he had not acted as trustee in a great many cases, and also that he had omitted to carry out the statutory duty of supplying a financial statement to the creditors at the end of six months after being appointed trustee. This, however, was an oversight.

Defendant went in the box and gave evidence. He admitted that the report of the words he used was practically correct, and denied that he meant to accuse plaintiff of dishonesty.

Mr. Hinde, addressing the jury for the defence, said Mr. Hincks had spoken what he thought right, as a straightforward Englishman.

Mr. Birkett said he thought a straightforward Englishman, having found out that he had made a mistake, would have admitted it and apologised; but Mr. Hincks had not withdrawn a word. Plaintiff was not there for money, but to make his position clear, and to ask the jury to recognise that he had acted honestly by the verdict that they would give.

His Lordship, in summing up, said that a business man's character was a very valuable possession, and if the jury thought the words spoken by defendant were defamatory they should give damages. He submitted the following questions to them. The answers appended are those of the jury:—

(1) Did the defendant speak and publish the words complained of in the statement of claim?—Answer: Yes.

(2) Are those words slanderous of the plaintiff?—Answer: Yes.

(3) Are they true in substance and in fact?—Answer: No.

(4) Were they spoken honestly, in the *bonâ fide* belief that they were true, or maliciously: that is, from an indirect and improper motive?—Answer: Maliciously.

(5) Damages, if any.—Answer: £100.

His Lordship: I hold that this was not a privileged occasion, and I give damages for the plaintiff for £100 and costs.

Correspondence.

TAX RECOVERY CHARGES.

To the Editors *Incorporated Accountants' Journal.*

Sirs,—Comment is occasionally made in the matter of advertisements by outside income tax recovery offices and of the institution by the banks of tax departments.

The charges of the former are said to be from 25 per cent. to 12½ per cent., and those of the banks 10 per cent. to their own customers, 15 per cent. to others.

May I request that you will be good enough to state what, in your opinion, is the proper charge by an accountant in those cases where, having the normal tax matters and audit, separately, in hand, he formulates a claim and is the means of recovering/saving tax.

The normal audit and accountancy work of an accountant provides but a small margin of net profit, hence the keenness to obtain liquidation and receivership cases, which, generally, are more remunerative.

It seems to me that a charge of 12½ per cent. on small claims and of 10 per cent. on larger claims (those up to four figures) is reasonable. Perhaps some of your readers would state their practice.

I am, Sirs,
Yours faithfully,
E. A. R. E.

[The charges of professional accountants should not be by way of a percentage, but on the basis of time employed and the responsibility involved.—Eds., *I.A.J.*]

EXCESS PROFITS DUTY—REALISATION OF STOCKS.

To the Editors *Incorporated Accountants' Journal.*

Sirs,—A meeting of members of the Chamber, and their accountants, interested in the interpretation of Part II of the Second Schedule of the Finance Act, 1921, was held at the London Chamber of Commerce recently. The schedule in question concerns the relief given by the Act in respect of losses incurred in disposing of trading stock in hand at August 31st, 1921.

There are two points upon which it would seem that a legal decision is necessary:

(1) In the case of a contract of sale or purchase entered into before September 1st, 1921, for the delivery of goods after that date, when do such goods become or cease to be trading stock in hand, with a view to determining what is the trading stock in hand at August 31st, 1921?

(2) Whether all or part of the relative expenses—overhead charges, warehousing, &c.—should be deducted before ascertainment of "the realised sum" on the sale of stock after August 31st, 1921.

There appears to be a concensus of opinion that these points can only be settled by the Court. A test case, which might be taken ultimately to the House of Lords, necessitates the raising of a substantial guarantee fund. There must, however, be, in the aggregate, a very large sum involved, and the cost to the individual will be relatively small provided we are successful in getting into touch with a number of those concerned.

I accordingly write you in the hope that this letter may meet the eye of accountants whose clients are interested, and I would ask such to communicate with me as early as possible.

Yours faithfully,
A. de V. Leigh,
Secretary.

London Chamber of Commerce,
London, E.C. 4.
March 26th, 1925.

The Human Factor in Business Organisation.

A Lecture delivered before the Incorporated Accountants' Students' Society of London by

Dr. CHARLES S. MYERS, C.B.E., F.R.S.
(*Director of the National Institute of Industrial Psychology.*)

The chair was occupied by Mr. William Strachan, Incorporated Accountant.

Dr. Myers said: I feel, ladies and gentlemen, that to-night I am rather like a fish out of water, and I daresay you may be feeling the same. I know practically nothing of accountancy, and I imagine you do not know very much about industrial psychology, but my hope this evening is to interest you in that subject, and after I have shown you in what direction the subject is working I propose to conclude what I have to say by a few remarks on the possible relations between the accountant and the industrial psychologist.

It is hardly necessary for me to emphasise the growing importance of costing in accountancy, and the study of the human factor in industry. Year by year, both from the side of the employer and from the side of labour, more accurate knowledge and analyses of the cost of production are demanded. I know that before the war experts said that an infinitesimal number of big industrial concerns in this country had a satisfactory system of costing. How far that has improved to-day I do not know, but I am perfectly certain that it is still capable of vast improvement.

The Human Factor.

With regard to the human factor in industry—which is the second point I want to emphasise—until recently, labour has been treated too much as a commodity, and the worker too much as a machine. The futility of this attitude is becoming generally recognised. Even economists, who were the stronghold of treating labour from an abstract point of view, are beginning to realise that the "economic man," as they call him, is a fallacy, and that you have not merely to take into account in business organisation generally mechanical and economical principles, but also to realise the importance of the human factor and the possibility of its improvement by the application of physiological and psychological principles.

The human factor affecting industrial efficiency and competence may be usefully considered under three heads: (1) needless effort; (2) insufficient interest and attention; (3) irritation. I propose to give you a certain number of illustrations—not too many, because I intend to limit my remarks to a relatively short time so that you may have an opportunity of asking me questions, which I will do my best to answer at the close of this address. I propose, I say, to give a certain number of illustrations gathered from the experience of the National Institute of Industrial Psychology, where by ascertaining and remedying the various causes of those three conditions its staff has succeeded in effecting striking improvements in output.

Needless Effort.

The first of those causes is the needless effort of the worker, and it is mainly attributable to unsatisfactory lay-out of the plant, defective appliances, bad conditions of lighting, ventilation, &c., and the adoption of bad postures and bad movements by the workers.

Dealing first with the lay-out of the plant—that may be quite efficient from the mechanical side, but very unsatisfactory from the physiological and psychological aspects. I could give you an example, for instance, of a large cabinet factory which we visited, where everything was arranged extremely well on the mechanical side. The timber was hoisted up to the top, and the cabinet dropped down stage by stage through the different floors of the factory until it finally came to the polishing department, and a great deal of detail work was done down below in the darkest part of the whole building. There, of course, from the mechanical side you have a very good lay-out, but from the standpoint of the worker—from the human side, the question of illumination, the work which required the best lighting—you have a very bad lay-out.

One sees other examples of that in certain stores. It is no doubt from the mechanical and engineering point of view a good thing to have the stores in a central position—to have one big stores to which every worker comes—but one finds that an enormous amount of time may be wasted by the worker often having to come great distances to the central position to get the tools, &c., that he wants. In such circumstances a great deal of irritation may also arise from waiting.

Then as regards heating, you may have a room which is necessarily heated, where soldering or some hot process is going on. From a mechanical point of view it is excellent to have the hot room as near as possible to the department concerned with the next process where heat is quite unnecessary; accordingly one sees lay-outs where the furnace is so near that the heat is transmitted to the next department, and the workers are unnecessarily hot in a room which would much better be cool.

These are examples where you might say, from the mechanical point of view, the lay-out is satisfactory, and yet from the physiological side it is bad. That kind of defect is also common in the design of machines. Mechanically they may be very good, but the engineer does not think sufficiently of the human factor when he is placing his treadles or levers. In several instances, by changing their position and action, the Institute has been able to increase the efficiency of machines. In one of the surface departments of a coal mine the introduction of a new implement added enormously to its efficiency.

You may say, why don't they do that sort of thing themselves? Well, people apparently do not. In the first place there is no one there whose sole function it is to see to those matters, and in the second place no doubt tradition is a very difficult force to overcome. In the bagging and weighing of material in a seed crushing mill—a big oil mill—there was a 50 per cent. reduction in labour costs by an improved method introduced by the Institute, and the workmen who worked it were delighted with the improvement. In a margarine factory the introduction of an improved implement reduced the number of the worker's movements by 16 per cent., and his time by 13 per cent. In eight different departments of a large firm increases of output varying from 12 per cent. to 44 per cent., averaging 26 per cent., were obtained by improving the arrangements of material and by a better distribution of the work. Improvements in output varying from 10 per cent. to 14 per cent. have been obtained by the Institute's introduction of improved illumination.

Illumination.

One of the most striking results has been in a coal mine. The work there performed by the Institute was begun in a neighbouring University laboratory, and miners came there to the dark room. Subsequently the directors of the coal mine set up their own dark room. It was found that the after effects of looking at the light were bad. Of course, in a mine from time to time the workers cannot help their gaze being directed to the light. We found that if, instead of having an electric lamp such as you see in this room—without being frosted in any way so that the filament was clear to the miner's gaze—you frosted your lamp, you had a very much less amount of the "after images" as they are called—not only less in number, but less in duration. We began to apply that principle, using a rather brighter light than that which we found the miners had previously carried, and we got a very distinct increase—a 14 per cent. increase—in output. The miners were so delighted with this lamp, with the effect of this frosting, that none of them would go down in the pit without having the lamp. I heard of cases where miners actually returned to their homes because they found that one of these lamps was not available for them.

We found that one other advantage arising from this lamp was an enormous reduction in the shadows cast. The shadows of the pillar cast by the light itself are enormously reduced when you have it frosted. I am giving you that as an instance of the importance of considering not merely the strength of the light, but also certain physiological and psychological principles, *e.g.*, glare, flicker, contrast, &c.

WASTE OF HEAT.

Similar improvements have been obtained by paying attention to the waste of heat. We have had several instances in the Institute's experience where not merely the comfort of the worker has been enormously increased by reducing the amount of heat waste, but also a great deal of saving of heat—a saving in the cost of fuel. That has been notably the case in two instances I can recall of soldering, where the stoves which were used for soldering were not properly lagged. (Lagging means protected with asbestos.) By lining them you not only save the wastage, the unnecessary escape of heat in the room, but you also make things much more comfortable for the worker. In another case the gas bill was reduced by as much as 50 per cent.

MOVEMENT STUDY.

Now, to pass on to the worker and his movements. A great deal of needless effort is spent because the worker has not been carefully instructed in the best ascertained movements. Large increases of output, as well as a corresponding reduction of fatigue, have resulted from attention to this factor. In a big margarine factory, movement study in one operation brought about a 46 per cent. reduction in the number of the workers' movements and a 37 per cent. reduction in time. All such investigations are of the nature of experiment; that is to say, you always have something new to study in each factory. We find that each business has its own constitution, and you cannot apply what you have learned in one place immediately to another place. Let me give a few other examples. In a large chocolate factory, a group of novices were engaged in packing. They were trained by the Institute. At the same time another group were being trained by the methods in use before the Institute's investigators had been called in. At the end of five weeks the two groups were compared, as regards their efficiency in output. The group of novices who had been trained by the Institute showed an output greater by 21 per cent. than that of the corresponding group trained by the instructor who had been appointed by the firm.

In another firm, movement study and improved appliances increased the output by 36 per cent., and the interesting point here is this: I happened to be back in that factory a short time ago, and found that that output was still maintained, although the actual investigation work was done nearly three years ago. That increased output of 36 per cent. is well maintained; in fact, it has now risen to about 40 per cent. over what it was before. The interesting point I should like to bring before you here is that in this particular instance, at the close of the investigation by the Institute's investigators, the workers came spontaneously and thanked them, because they were going home, they said, so much less tired at the end of the day than previously—although, as I have just stated, their average output was increased by 36 per cent. This was due to a study of the best movements, the best arrangement of material, the best arrangement of the bench, the position of the worker, and such matters.

There are, of course, certain broad principles of movement study now becoming recognised. One of them is perhaps of interest to you, and that is to avoid as far as possible bringing the hand up, stopping it, and then bringing it down again. In place of this you should have what may be called a swing. There should be no point where the movement suddenly stops, but you bring it round in a curve. That, of course, is not always possible, but it is very often. Even in a mine we found that the up-and-down swing of the miner's pick was often capable of being replaced by a curved swing. Then there are other features, for instance, the use of two hands simultaneously. In the case of a mine, the output of various groups of miners trained by such methods proved to be about 14 per cent. greater than that of those who were working by their ordinary methods.

Recently we have had to do with a firm engaged in the making of articles of a celluloid nature, and by improving the polishers' bench we have been able to increase the output by 21 per cent. without any increase of effort on the workers' part—on the contrary, with a decrease.

I have known cases where movement study has reduced the workers' efforts to such an extent that the worker has said "I do not like working by this method, because if I do it in that way the employer will think I am not doing enough work." I have known of two rooms where the workers in one have been going on by the old method, and those in the other by the new method where careful movement study has eliminated needless movements, and where visitors on being asked which of those two sets of operatives were working the harder would unquestionably point to those working in the room where the older methods prevail, and yet the output has been some 20 per cent. greater in the room where you have the newer methods.

TRAINING.

There is a tremendous lot still to be done, first of all by finding out the best methods of work, and secondly by improving the training of the worker. The worker has too often to pick up his methods as best he can. He may sometimes find someone who had good methods to teach him, but often he has someone who has fallen into bad methods to learn from. But even if a person has good methods it does not follow in the least that that person will be a good teacher. It does not follow that because a person dances well he is going to make a good teacher of dancing, and it does not follow because a person plays golf well that he will make a good teacher of golfing. Most of us if we want to dance or to play golf would wish to take lessons from a person professionally capable of teaching those things. We take a great deal of care in regard to our sport, but what care do we take with regard to our work? We either pick up or allow our employees to pick up their methods as best they can without thinking that there are undoubtedly good and bad methods of work. And in firms where a teacher has been appointed very often we find that the teacher is not at all suitable to instruct. He may have been chosen because he is a good craftsman, and sometimes for other reasons; anyhow, he is not often chosen because of his teaching abilities.

INTEREST AND ATTENTION.

Now I want to go on to the second factor: insufficient interest and attention. I must be more brief here and merely say that they are preventable by improved selection of the workers, the introduction of suitable incentives, adequate supervision, and the avoidance of unduly long, uninterrupted spells of work. Obviously, insufficient interest is largely preventable if you can improve the selection of the worker and get the worker selected who is really suited for that particular kind of work. In this respect many firms are now employing the Institution's vocational tests, devised to secure a better adaptation of the worker to his job. Actually what one does is to send an investigator down to find out what are the special abilities required for success in a particular occupation, and then to devise tests which will discover those special abilities; and having devised those tests, then to apply them to a number of the workers, asking the manager to give you good, bad and indifferent workers, and then to grade them according to the success at the tests, comparing that grading with the manager's or foreman's grading of these people according to their efficiency.

In that way, if you have got a good correlation between the two orders, the person who comes out top in the tests comes out top according to the manager's or foreman's view, and so on. By these means you are actually testing your tests. Assuming you have got a good correlation, you then proceed to standardise your tests and find out what is the average efficiency which the average person should show, what is a very good performance and what is a very bad one, and then you proceed to apply them to novices and train someone to continue their application under the general supervision of the Institute.

Dealing now with rest pauses. I spoke a short time ago of the avoidance of unduly long, uninterrupted spells of work, those spells being the cause of defective attention—in other words, of fatigue. Rest pauses and changes of work judiciously introduced have increased output, although, of course, less time per day is actually worked through the interposition of these rest pauses.

IRRITATION.

Lastly, I come to irritation. That is caused, as you can well imagine, by felt injustice, but also by needless flurry and needless waiting. Perhaps the most striking example of the effects of irritation on output in the Institute's experience was

in two different catering firms, where the Institute was called in to see if the breakage of glass and china could be reduced.

Now there are various possible ways of trying to reduce breakages. The ordinary method in the past has been to say "This is due to carelessness; let us fine the people if they do it, or let us give them a reward or bonus if they do not do it." That, however, is not the scientific method of going to work. You want to find out, and what the Institute set itself to find out was, the causes and conditions of breakage, where the breakages occurred, how they occurred, and when they occurred, so that one took records at different times of the day, and for different articles in different positions of the tea shops—one of them was a tea shop—and got carefully amassed data. Then one was able to get the confidence of the workers and find out how the things were broken, and one came across certain danger points which one was able to eradicate. One also found that there was a large number of sources of irritation caused by flurry and rush of work which could be avoided, and when one studied how to avoid those, and did enormously reduce the irritation and increase the general smoothness and quietness of the work, there was a 53 per cent. reduction of breakages in one firm, and 44 per cent. reduction in the other. There were thousands of pounds thus saved per year by one of these firms, which had an enormous number of branches all over the city and in other towns throughout the country, as a result of the methods which the Institute introduced.

The Outside Expert.

By such attention to the human factor, not only are the quantity and the quality of the output improved, but the health and contentment of the workers are increased. The Institute goes to work not with the idea of pressing the worker to produce more, but of finding out what are the obstacles that prevent him from doing his best. I have enumerated some of the more important kinds of obstacles which the Institute has encountered. You get, as I say, the health and contentment of the worker increased, you get strain and fatigue lessened, absences from sickness become fewer, and the whole atmosphere of the warehouse, shop or office is improved, thereby obviating much waste of time and consequently loss of money.

The value of an outside expert is undoubtedly great, although some firms are asking the Institute to train investigators as members of their own staff. I have no doubt that the psychology of this country is such that it will in the end prefer investigators of its own to carry out the work of this kind, but at present the number of firms who have them is small. There are, however, great advantages in an outside person coming in. In the first place such a body as our own, which is not out for profit, convinces the workers that here is someone coming in who is quite impartial, although, of course, at present he happens to be paid by the employer. It would be a delightful thing if employers and trade unions could join in payment for such work as that. That has not, however, come about in this country, although, I believe, in Germany an engineering union has actually supported work of this character. The advantage of someone coming in from outside is that he is impartial, and he brings new light to bear on the subject. Our investigators have been to numerous factories of very different kinds, and they may be able to throw new light on many points. They are also free. You know how in a big firm or a big Government office there are different departments, and there is a certain amount of friction, or at any rate of etiquette that has to be observed by a person in one department when dealing with another department. Anyone coming in from outside is absolved from those often harmful restrictions of etiquette, and nothing is thought of it if he somewhat disregards them.

Industrial Psychology and the Accountant.

Now you have listened with patience to these various illustrations of the application to business of industrial psychology. But, interesting as I hope they are to you, some of you may well be asking—how do they concern me in my professional work? How can an accountant make practical use of such information as I have brought before you this evening.

Obviously the accountant cannot undertake investigations of the character I have been describing, nor can he even indicate the manner in which they should be carried out. They demand the training of the specialist along lines very different from those on which the training of an accountant is conducted. I have no doubt from what I know of your professional training that your superiors are always trying to crowd in additional subjects into your curriculum, but I doubt very much whether, in our lifetime at all events, industrial psychology will be included. From the point of view of the employer, and, indeed, of the industrial psychologist, the accountant may be regarded as often fulfilling the function of the general practitioner in medicine. His employer is the accountant's patient. The accountant is the confidential family physician, and he is often asked by his employer to advise him as to how he can improve the efficiency or diminish the costs of his business. The accountant can compare the costings of that business with those of other businesses of the same kind with which he is familiar. He may find that there is an unusual quantity of semi-manufactured stock held, or an unusual amount of absence through sickness, or an unusually high labour turnover. Or, again, by comparing the individual costings involved at different stages in the process of the manufacture of an article, he may discover a stage in which the costing appears excessively high. In such circumstances the wise accountant will recognise that the defects may be not attributable to defects merely of the mechanical factor, but also to those of the human factor; he will recognise, too, that the mechanician or engineer is quite incompetent to deal with the latter, and that until the human factor has been attended to improvements in the mechanical factor may be relatively useless. By his very training the engineering or efficiency expert is apt to neglect and even to be comtemptuous of the human factor. The accountant, like the general physician, will recommend the right kind of specialist to be called in. He will bear in mind the valuable help which the industrial psychologist can render in business organisation, and advise his client accordingly.

Changes and Removals.

Mr. Harry Davey, Incorporated Accountant, has removed his Wakefield office to Hyland Buildings, Wood Street.

Messrs. Davy, Alderson & Polwarth have removed their offices from 30/31, Queen Street, to 134, St. Stephen's House, Victoria Embankment, Westminster Bridge, London, S.W.1.

Mr. Harry C. King, Incorporated Accountant, has been admitted into partnership by Mr. Frank Stimson, of Grove Road Chambers, Eastbourne. The practice will continue to be carried on at the same address under the style of Stimson & King.

Messrs. Lingley, Baird, Addison & Dixon, of 120, Broadway, New York, announce that Mr. James Addison has retired from the firm and Mr. Charles A. Bennett, A.S.A.A., has been admitted as a partner. The firm name in future will be Lingley, Baird & Dixon.

Messrs. Geo. A. Marriott, Rogerson & Co., Incorporated Accountants, have removed to 89, Fountain Street, Manchester.

Messrs. Harry L. Price & Co., Incorporated Accountants, have removed to 47, Mosley Street, Manchester.

Messrs. Silversides, Slack & Barnsley, Incorporated Accountants, of 44, Bedford Row, London, W.C.1, announce that they have taken over the practice previously carried on by Messrs. Hyllier & Wood, Worthing, and that in future their Worthing office will be at 5, Bath Place.

Society of Incorporated Accountants and Auditors in Ireland.

DINNER IN DUBLIN.

The annual dinner of the Society of Incorporated Accountants and Auditors in Ireland was held on March 14th, at Jury's Hotel, Dublin. Mr. R. J. Kidney, F.S.A.A. (President), occupied the chair. The principal guests were Mr. Ernest Blythe (Minister for Finance in the Government of the Irish Free State); Mr. Thos. Keens (London) (Vice-President of the Parent Soceity); Mr. A. A. Garrett, B.Sc. (Secretary of the Parent Society); Mr. Wm. Crowe (President, Dublin Chamber of Commerce); Mr. John Mackie, F.C.A. (*Ireland*); Mr. Philip J. Lawrence (Representative of the Irish-American Oil Company); Mr. Wm. O'Brien (Chairman, Revenue Commissioners); Mr. Joseph Brennan (Secretary to the Ministry of Finance); Mr. W. D. Carey (Registrar of Joint Stock Companies); Mr. Geo. McGrath (Auditor-General); Mr. John Maher, F.S.A.A. (Secretary and Director of Audit); Sir Simon Maddock. Others present were Mr. Norman Booth, F.S.A.A. (Vice-President, Irish Branch); Mr. Robert E. Bell, A.S.A.A.; Mr. C. P. McCarthy, M.Com., F.S.A.A.; Mr. A. H. Walkey, F.S.A.A. (Hon. Secretary); Mr. Robert F. Browne (Inspector of Taxes); Mr. Thomas Laurie; Mr. W. H. Baskin, F.S.A.A.; Mr. W. R. Radcliffe (Inspector of Taxes); Mr. R. K. L. Kennedy, A.S.A.A.; Mr. Hugh Canning, M.A., F.T.C.D.; Mr. G. L. Kennedy, M.A., LL.B.; Mr. J. C. Loughridge, F.S.A.A.; Mr. Patrick Moylett; Mr. Arthur J. Walkey, A.S.A.A.; Mr. D. R. Mack, A.S.A.A.; Mr. J. S. Wilson; Mr. J. H. Harris; Mr. J. M. F. Fitzgerald, A.S.A.A.; Mr. Pelham Plunkett, F.S.A.A.; Mr. J. H. Barton, A.S.A.A.; Mr. G. H. McCullough, F.S.A.A.; Mr. R. L. Reid, A.S.A.A.; Mr. P. J. Purtill, A.C.A.; Mr. T. H. Robinson, A.S.A.A.; Mr. Wm. Homan; Mr. F. R. O'Connor, A.S.A.A.; Mr. A. C. Storey, A.S.A.A.; Mr. W. E. O'Shea, A.S.A.A.; Mr. W. J. Shanahan; Mr. G. J. O'Callaghan, B.Comm., A.S.A.A.; Mr. Henry M. Murphy; Mr. W. A. Kenny; Mr. J. G. Dixon; Mr. Lennox Braid; Mr. E. Selfe; Mr. J. O'Dea; Mr. P. C. Egan, A.S.A.A.; Mr. Lionel Cox, A.S.A.A.; Mr. G. M. Fullerton; Mr. T. R. Beddy; Mr. C. J. O'Reilly; Mr. G. J. Moore; Mr. R. Cashell; Mr. A. C. Boyd; Mr. L. Taylor; Mr. M. Bell; Mr. John Brown, F.S.A.A.; Mr. Patrick J. Keelan; Mr. W. J. Boland; Mr. J. Cassidy; Mr. C. Magee, A.S.A.A.; Mr. James Wood; Mr. J. Kelly.

Apologies were received from the Governor-General; the Chief Justice; the Minister for Industry and Commerce; Mr. David Telford (President, Institute of Chartered Accountants in Ireland); and Mr. G. Brock (Hon. Secretary, Institute of Chartered Accountants in Ireland).

The President proposed the first toast, that of "Prosperity to Ireland," a toast in which there was no border. He asked the Minister for Finance to respond, and "incidentally let us know what he is going to take off our income tax." (Laughter.)

Mr. Ernest Blythe, replying to the toast, said that he knew that he would be expected to say something about the forthcoming Budget. Unfortunately, he was not able to say very much about it. He thought that he should not even say what he thought about the audacious proposal put forward from Cork. (Laughter.) He did not know what the result would be if he did say what he thought of it. The people of Cork were certainly not among those who were blessed because they expected little. (Laughter.) A County Antrim man himself, he looked to the time when there would be no border in Ireland but the natural border of the sea. (Hear, hear.) Unity, however, was not going to come from any use of force; it was not going to come by compulsion. If the border that had been brought into being was ever to be wiped out it would be wiped out only by the mutual wish of the people on each side of it. The way to the unity of Ireland and the way to the prosperity of Ireland was the one way. They in the Free State wished for no prosperity at the expense of others. They had no ill-wish for others, but they desired the prosperity of the whole country. (Hear, hear.) They had no less thought for the whole of Ireland than before the boundary was created. "I am one," he continued, "who was never despondent about the future of Ireland. (Applause.) I think that nobody need now fear political disturbances that will destroy our prospects of prosperity. (Applause.) We will have political differences, and it is well that we should have them. It is well that policies which have been tried should be superseded if the people have got tired of them; that men in office should be replaced and their critics have their turn of being themselves criticised. I certainly shall enjoy the change when I am able to do a little criticising myself. I do not expect any political changes by violence. There is no fear of a repetition of what we have gone through in recent years. I have not the slightest doubt of that. There was a lot of leeway to make up on the path to national prosperity, but they possessed an undeveloped country not poor in potentialities, and there was no reason to suppose that Irishmen at home would not show the same capacity as they had shown in other countries. I believe that capacity will be shown. I believe that the people will turn from political considerations now that there is no need for concentration on political problems as there was in the past; that the energy of the people will be turned into the ways of industry and commercial development, and that those who gave their time and courage and ability to political questions will turn their minds to economic and social questions, and use their influence to turn the minds of the people to those questions. (Hear, hear.) I see nothing political in the future to trouble any of us except the removal of the division in the country. I believe that the way to remove it is not to bother about the people outside the State, not to find fault with them, not to revile them, but to do our own work here and get on with our own business. If we do that we will build up something in the Free State that will be an attraction to the people outside. I would not confine our activities to material progress alone, but would aim at intellectual and cultural development as well. There are other and better ways of serving one's country than by fighting enemies. (Hear, hear.) People were beginning to think of doing things and of making changes, not for the sake of change, but for the sake of attaining some practical end. In other words, they were bringing the business spirit into public affairs. I believe that there can be few people who will not agree with me when I say that now we are really taking up the real work of governing for ourselves, that we are now on our feet. We have ceased to creep and are walking. (Applause.) Plans of all sorts were maturing. Some of them were plans which any particular set of people might like or dislike. People had got beyond the stage when it was considered that public duty ended with denouncing the Government. The people now were demanding that those who denounce shall also propose." (Applause.) He was very glad to be at that gathering, made up of people from all parts of Ireland, and with all sorts of political views, all joining together in honouring the toast of prosperity to Ireland and recognising that, no matter how they were estranged politically, they were all of the one family, realising that if one part of the country was injured all the other parts must suffer. That was a social function, but with a significance. He had received much encouragement and help from organisations such as theirs, from their sister Society and from the Chambers of Commerce. From all of them he had received criticism of a constructive kind, and at the same time every token of goodwill towards himself and the Government of the Irish Free State. (Applause.)

Mr. Philip J. Lawrence proposed the toast of "The Society of Incorporated Accountants and Auditors." He said that he would like to see the toast duly honoured for many reasons. The primary reason was to be found in one of the objects of the Society as set forth in its Memorandum of Association, to foster in commercial circles a higher sense of the importance of systematic and correct accounts, and to encourage a greater degree of efficiency in those engaged in book-keeping. If the Society did nothing more than attain that object it would not only justify its existence but would also confer a signal service on the commercial community of this country. (Hear, hear.) Everyone associated with business firms knew of the necessity for a proper system of accounting. Everyone knew that without it it was absolutely impossible to detect loss, to detect profit, to detect leakage. but it was next to impossible to get people in a smaller way of business to realise the importance of systematic and correct accounts. There was a tendency to trust to the rule of thumb. Those were the people who had to be converted. Without a shadow of doubt as to the accuracy of the assertion, he could say that there will never be in their country a successful business community until

there was adopted by all business people a general system of accounting. (Hear, hear.) Who was to introduce that right system of accounting? The answer was that they had in their Society gentlemen capable of introducing a system of accounting to suit the requirements of every kind of undertaking in Ireland.

A Voice: In the world.

Mr. Lawrence continuing, said that the statement "in the world" was not a mere platitude. He had been brought into very close touch with members of the Society not alone in his own company, but in connection with other undertakings, and he was in a position to testify to their marked ability, their great care and attention, their kindly interest and their sound advice. (Hear, hear.) There was one particular industry in the country to which more than any other the auditor was an unfamiliar figure—the national industry of agriculture. Very few Irish farmers employed an auditor except to help them to look after their income tax. There was a terrible lack of organisation, a terrible lack of enterprise in their national industry, a lack which was reflected in the comparative figures for the year 1924, of the exports to Great Britain from the Free State and from Denmark. Those figures were for Denmark:—Butter, £20,250,000; bacon products, £18,000,000; egg products, £5,000,000; a total of exports of those commodities of £43,250,000. In comparison the figures for the Free State were:—Butter, £4,000,000; bacon, £3,000,000; eggs, £3,000,000; total, £10,000,000. Those figures were a sad commentary on Ireland's agricultural effort. While he had to say that in the past the Government had not done everything it might had done, he wished to make it clear that the present Government was making every effort to organise agriculture and put it on a proper basis as regards production, distribution and marketing. The Irish farmer had now no excuse for not co-operating to the fullest with Mr. Hogan, the able and energetic Minister for Agriculture, who was doing his best to make the ten millions forty millions. In that great development the individual farmer must be the outstanding factor. He would not be the outstanding factor unless he put into operation a proper system of accounting. That was absolutely necessary. He regarded agriculture as the means to which they had to look to bring progress, prosperity, employment, and happiness to the Irish Free State. He hoped and trusted that in the great development in store for Irish agriculture, full advantage would be taken of the services that could be rendered by the Society of Incorporated Accountants and those of the sister body. (Hear, hear.)

Mr. Thomas Keens, in reply, thanked Mr. Lawrence for the manner in which he had proposed the toast, and all present for the manner in which they had received it. To crown a most enjoyable day came the pleasure of hearing the statesmanlike pronouncement of their Minister for Finance. Perhaps he might be allowed to tender to them in Ireland his own congratulations, and to say that on the other side of the water they shared in their joys and in their hopes—shared most cordially in the wish for Irish prosperity to which that audience had drank so cordially. In regard to Mr. Lawrence's most able and informative speech, he might perhaps tell him that things on the other side were not quite so backward as he suggested. His own office dealt with farmers' accounts, and it was his experience that in certain farms the farmer costed not only the crop but each separate field, and kept his records as though his farm was a factory. The yields obtained from those farms were such that professors of agriculture at Cambridge came to see how the results were obtained. From that they could infer the advantages of costing in farming. He had to apologise for the absence of the President of the Society and for Sir James Martin. He was happy to be able to record that the Society had made, and was making, satisfactory progress. (Hear, hear.) That progress was shown not only in its membership, but in the status of its members. Not only did it give a qualification which could not be attacked, but from the point of view of the personal fitness of its members the public could be reassured that every reasonable requirement of theirs would be met. He was delighted to see that they in Ireland were working in the closest friendship and co-operation with the other body of accountants, just as they were doing on the other side, where in recent years evidence put before Government Commissions was given jointly by the two bodies. He reminded them that the title "Incorporated Accountant" was an international qualification in accounting recognised all over the world. He went on to explain the necessity for securing new premises for the Society's headquarters in London. They had outgrown their accommodation, and it was considered that the time had come when they should contemplate the purchase of premises which would be a credit to the Society. "I may also warn you that it will create an obligation upon every member, of which you will receive due notice." (Laughter.) He next dealt with the question of registration for the profession. As Parliamentary sanction would be required it was obvious that the only test would be: was registration desirable for the protection of the public? That was the only test that could be applied, and he thought they would agree with him that in the interests of trade and industry, in the interests of Governments which depend to a large extent upon revenue derived from industry, it was desirable that the qualifications of those practising accountancy should be such as would never raise in anybody's mind a question of the fitness of the persons to give the certificates above their names on any set of accounts. (Hear, hear.) What was the price that the profession must be prepared to pay for that desired end? It was obvious that it must mean the admission to the register of accountants of every person who was *bonâ fide* practising at the time of the introduction of the Bill. He said quite frankly that the older members of the profession stood to gain nothing by registration, and the action they would take would be determined by their public spirit for the profession as a whole. The younger practitioners stood to gain a very great deal indeed, because they would take their place in a settled and regularised profession. The unqualified practitioner stood to gain most of all by obtaining a status, but he would have to come under control and discipline. That would be a tremendous gain to the commercial community. To bring that about was, he believed, the policy holding the field in Ireland; there were no boundaries in the profession in matters of that description. Undoubtedly there would be criticism of any policy they would pursue. Even the Minister for Finance let it be known that in some way or other he had been criticised. (Laughter.) That was most intolerable. (Laughter.) Such a thing was never heard of on the other side. (Laughter.) At any rate, they would have the satisfaction that if they did their duty honestly and fearlessly, with credit to themselves and with satisfaction to their clients, they would uphold the name and fame of the Society of Incorporated Accountants and Auditors and do something to consolidate their great profession so that it might have a brighter future than it ever had in the past. (Applause.)

Mr. C. P. McCarthy, M.Com., Cork, proposing the toast of "Trade, Commerce and Industry," said that the order of the toast list was significant. When they got trade, commerce and industry linked up with proper accountancy, then prosperity was not far off. (Hear, hear.) In Ireland account keeping, as the duty of the citizen, had not made a wide appeal. Some wise publicist had said, "The educated citizen pays his taxes gladly." The first necessity for trade and commerce in any country was security. No sane capitalist would invest his money with the Free State not so very long ago. They now had in the land security and the possibility of industrial achievement. But they also had the vital problem of taxation. The Minister for Finance had answered Cork's representation on the subject of income tax with a Biblical quotation, but it had been said that "the Devil can quote Scripture for his own purpose." (Laughter.) The taxation problem in the Free State was accentuated by the fortuitous combination of two very serious factors, the weight of the debt arising from the occurrences of the last few years, and secondly, the serious depression in the business cycle. Taxation was a direct drain upon liquid assets. Remission of taxation would set up a trade barrier over which no outside competitor could jump. After security the next conditions for business progress were the workers, location, and nearness to markets. It was recognised in America that Irish workmen were the best in the world, and Henry Ford had said publicly that the workers in his factory in Cork were the most efficient he had met with in the whole course of his industrial career. It was unfortunate that especially in the industry of agriculture the old truism, that all the factors in production should each have its own reward, did not hold good. In this respect Government guidance was necessary for the welfare of the whole State, for prosperity among the farming

community was reflected in all businesses in the country. The position of the Irish farmers at the present time was that they were in a sellers' market. Having pointed out the injury to business resulting from the double taxation between Great Britain and the Free State, Mr. McCarthy said that there was urgent need for a departmental committee on national expenditure, a committee of persons outside the Government who would coldly and calmly approach the public accounts with the mentality of the trained accountant. Such an inquiry into the spending of the public money would go far to accelerate the wheels of industry now being set in motion in this country. (Applause.)

Mr. Wm. Crowe responded to the toast and said that the Council of the Dublin Chamber of Commerce appreciated very highly the assistance given by the Society on their special committee set up at the request of the Minister of Finance to consider the incidence of taxation in the Free State. The excellent report drawn up by the committee had been submitted to the Minister, who, in discussing it with the Council of the Chamber of Commerce, had not very much to complain of in regard to the criticisms contained in it. He would not commit himself as to how far he was prepared to meet the views of that very important committee, but his attitude was very sympathetic. He (Mr. Crowe) was a guest a few weeks ago at a function similar to that of that evening, and he was surprised to see that the organisers had omitted the toast of industry and commerce. The only reason he could assign for the omission was that the amount of trade was so small that it was not worth while talking about it. (Laughter.) Discussion of the state of trade and commerce was not a popular subject in Ireland at the present time, but it had to be faced. Mr. Crowe, continuing, said that within the past few weeks there had come a brighter outlook in the country, and from Mr. Blythe's remarks they might take courage for better things in the near future. He concluded with an appreciation of the success of the efforts of the Government to get the building trade going.

Mr. A. A. Garrett proposed "Our Guests." In doing so he expressed the pleasure it gave him to be among so many personal and professional friends. He also paid a tribute to those no longer with them, the men who had contributed so much to the work of the foundation of the Irish Branch. He referred to the late Mr. Edward Kevans, Mr. M. J. Stapleton and Mr. H. B. Brandon. He was delighted to welcome the guests, both for their agreeable company and for the many activities they represented in the State, in commerce, in the professions, in education, in fact, in all things contributing to the advancement of the country materially and culturally. It was from the co-operation of one agency in the national life with another agency that inspiration was drawn for the benefit of the nation as a whole. He referred especially to the guests from different Government departments dealing with finance and accounts, and those who were identified with the commercial interests of Ireland. In welcoming their friends drawn from many spheres of Ireland, they might sincerely hope that as Incorporated Accountants they could hitch their waggon of professional efficiency to the star of imagination and friendship and in that spirit join in drinking the health of their guests.

Mr. John Mackie had an enthusiastic reception when he rose to respond to the toast. In the course of his speech he paid a high tribute to what had been accomplished by the Free State Government, made up of young men without experience in administration and faced with the most unprecedented difficulties. Those young men had won through because of their courage and their complete disinterestedness. Now that the danger to the country had passed there was a tendency to criticise the Government without making proper allowance for the difficulties they had had to face. He was never a Sinn Feiner, but he had no desire for a reversion to the old *régime* in Ireland. (Applause.) He had, he said, always stood for perfectly friendly relations between the Institute and the Society, even at a time when that was not very popular. He thought in the past and thought now that those belonging to their noble profession should work together. (Hear, hear.) If accountancy was a good thing for the world, why should they keep it to themselves instead of spreading the knowledge? Everything making for a better way of doing things was for the betterment of the world. He was afraid that the Irish farmer was a believer in the old saying that the man who did not keep accounts came off best with the income tax people. He hoped, in that connection, to see all the schedules swept away, and that some day there will be only one standard for income tax. He was satisfied that registration of accountants was for the good of the public, and for that reason he was ready to do what he could to help it on. He wanted it, however, carried through in a broad and generous and equitable way. In conclusion he said that he had thoroughly enjoyed their hospitality and was very glad that the Incorporated Society had invited a representative of the Institute to that very happy social function. He would always work for the prosperity of the Society, which had as its members some of his best friends in Dublin. (Applause.)

Mr. Norman Booth proposed the health of the President and of Mr. Walkey, which was drunk with enthusiasm. Mr. Booth said that he could not let the proceedings come to an end without assuring the gathering that there was no toast more honoured in the North than that of the prosperity of the whole of Ireland. (Applause.)

The President, in thanking Mr. Booth and the company for their reception of the toast, said that the sum total of all the speeches of the evening was work. Everyone in the country had to get his coat off and get down to work. If each did his bit to build up the industry and commerce of the country they would find that taxation would not feel or be so heavy. (Hear, hear.)

Belfast and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of this Society was held in Thompson's Restaurant, Belfast, on March 16th. The President, Mr. Norman Booth, F.S.A.A., took the chair, and among the principal guests were Sir Robert Lynn, M.P.; Professor Earls, Principal of the Municipal Technical Institute; Professor Lloyd Dodd; Mr. Thomas Keens, F.S.A.A., Vice-President of the Society (London); Mr. W. Moore Knox, F.C.A., President of the Belfast Society of Chartered Accountants; Colonel J. Huggett, C.B.E., Controller and Auditor-General, Northern Ireland; Mr. R. G. Geale, City Accountant, Belfast; and Mr. A. A. Garrett, Secretary of the Society (London). The loyal toast was duly honoured.

Mr. Thomas Keens proposed "His Grace the Governor and Prosperity to Northern Ireland." He referred to the opinion expressed by Mr. Henry Ford that of all the workers with whom he had come in contact the Irishman was the equal, if not the superior, of any. There was, therefore, no reason why their country with its present and potential possibilities should not enjoy the prosperity which everybody desired for it. While he regretted that at that time the main industries associated with that City were going through particularly difficult times, he felt that the good sense of the people and a better outlook would pull them through. There was a limit to what the Government could do for trade and industry, which in his view must depend upon the good sense, the brains, initiative and hard work of those engaged in it. (Applause.)

Sir Robert Lynn, M.P., responding, said the Duke of Abercorn had always done his best to help forward the ideals they in Northern Ireland held dear, and with these endeavours the Duchess had been associated, particularly in promoting all good works. He referred to the recent speech of Mr. Stanley Baldwin on industrial matters, and Sir Robert said that they could not afford to fight each other in industry: if they wanted to be prosperous they must work hard and be more thrifty than they had been. He thought they had passed through the worst of the difficult times that had prevailed, and he was assured that all classes and all sections of opinion were united in wishing prosperity to Northern Ireland. (Applause.)

Mr. R. G. Geale, City Accountant, was entrusted with the toast of the Society of Incorporated Accountants and Auditors. He said that one of the objects of the Society was to endeavour to cultivate a higher standard of efficiency in their profession. In these days the duty fell to practising accountants to

interpret to the general business community the significance of economic facts in relation to practical affairs. He was glad to know that the study of economics formed an essential part of the Society's curriculum. He believed that some of the mistakes and misfortunes of the country in recent years might have been lessened by the observance of the plain teaching of economic history. A peculiar responsibility rested upon the accountancy profession in bringing such facts before the community. In the future he considered accountants would be looked to more and more to correlate the various theories of economics with practical business. They should endeavour to show the community what was wise and sound, and to warn them of the dangers that lay in the path of reckless finance, whether in the sphere of government, municipal affairs or the commercial world. (Applause.)

Mr. A. A. GARRETT, Secretary of the Society, in responding, supported the views submitted by Mr. Geale. He stated that the Society was in its 40th year and had a membership of about 4,200. They aimed at a high standard in the profession, for which he believed there was a great future, both at home and in the Dominions Overseas. Incorporated Accountants could assist materially in building up and developing the resources of the Empire, and their work must claim the sympathy and assistance of Britons wherever they might be. He was glad to know of the educational activities of the Belfast District Society, which he hoped would continue to expand. In looking back for the 40 years of their history he was assured that they had justified the dictum of the Court that the diploma of Incorporated Accountant was an indication of reliability and integrity.

Mr. G. H. M'CULLOUGH, Vice-President, proposed the toast of "The Guests," which was responded to by Professor EARLS. Professor Earls referred to the educational advantages provided in Belfast, particularly for those entering the accountancy profession. Mr. W. MOORE KNOX, F.C.A., also replied, and referred to the cordial relations between the Chartered Accountants and the Incorporated Accountants in Ireland.

Colonel J. HUGGETT, C.B.E., proposed the toast of "The President." Mr. NORMAN BOOTH, in responding, expressed his thanks for the support received from his colleagues on the Committee in carrying out the duties of President.

Obituary.

WILLIAM PENN-LEWIS.

We record with regret the death of Mr. William Penn-Lewis, City Treasurer of Leicester, which took place at Kingswood, Surrey, on March 24th, in the 66th year of his age. The late Mr. Penn-Lewis was elected a Fellow of the Society of Incorporated Accountants and Auditors on May 11th, 1892, he being at that time the Borough Accountant of Richmond, Surrey. Some few years afterwards he was appointed Borough Accountant of Leicester. While he took a warm interest in the affairs of the Society, he was more closely identified with the Institute of Municipal Treasurers and Accountants, Incorporated, occupying the presidential chair of that body in the year 1897. Mr. Penn-Lewis was held in high esteem, not only by the citizens of Leicester, but also by his colleagues in the profession, both municipal and in public practice.

THOMAS ELI GIBSON.

Some of the older Incorporated Accountants will have noticed with regret the passing away of Mr. Thomas Eli Gibson, who died at Knutsford, Cheshire, on March 7th last, in his 84th year. In the early days of the Society, Mr. T. E. Gibson was a very active member, and at one time he held a seat on the Council. For many years past his business energies were mainly confined to the public press.

Legacies and Legacy Duty.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. E. W. JAMES,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. F. W. STEPHENS, Vice-President of the Society.

Mr. JAMES said: It is necessary first to consider exactly what is a legacy and what is legacy duty. A legacy is a gift of personalty made by will, and can arise only out of a will. Legacy duty is a duty imposed by the State, not only upon legacies but upon the devolution of personal property by intestacy.

CLASSES OF LEGACIES.

The main classes of legacies are:—

(1) General legacies;
(2) Specific legacies; and
(3) Demonstrative legacies.

A general legacy is a gift out of the general estate, without indicating any particular portion thereof, usually in the form of a cash benefit, but may consist of an article such as "a diamond ring" or "stocks and shares," so long as such gift is not, by the will, specifically identified as a definite portion of the estate.

A specific legacy, on the other hand, is a gift of a specified portion of the estate, *e.g.*, "My horse, Rover," or "My holding of 5 per cent. War Loan."

A demonstrative legacy is in its nature a cash legacy, but the fund out of which it is payable is indicated by the will, and such fund must therefore be utilised, if it exists, for meeting the payment.

It is important to distinguish between the different classes of legacies owing to the fact that it depends upon the nature of the legacy as to whether, or as to how, it shall be paid.

To enable a specific legacy to be satisfied, the subject matter must exist at the date of death and not be required for the payment of debts and other liabilities of the deceased. If the subject matter does not exist, then the legacy fails.

With a demonstrative legacy the position is different. If the fund upon which the legacy is charged exists, that fund will be utilised for the purpose of meeting the legacy; but if the fund has ceased to exist the legacy is still payable, as a general legacy, out of the estate generally. From this point of view, therefore, a demonstrative legacy is preferable, since the payment of it does not necessarily depend upon the existence of the fund which the testator desired should be used for the purpose of meeting the legacy. With a specific legacy it is essential that the subject matter should exist before the legatee can obtain the benefit left by the will.

It is important to bear in mind the fact that legacies of any sort are capable of being paid only after all debts and other charges upon the estate have been met, and it cannot be considered that legatees are in any way preferential to the creditors of the estate, seeing that the legacies can be paid only out of the net estate left by the deceased person, by "net" estate being meant the total estate remaining after payment of all liabilities, estate duty and other encumbrances upon the property.

SPECIFIC LEGACIES.

Dealing now more particularly with each of the above classes, it can be seen that specific legacies may consist of either (1) specified articles or (2) specified portions of the estate which may be producing income. There is little or no difficulty in dealing with the former, but if there are any charges upon the subject matter it is the duty of the executor to free the same from such charge and hand it over intact to the legatee. It might be, for example, that the specific legacy relates to an article which is in pawn, and in such a case the executor would have to pay off the charge upon the property, and the expense so incurred is a charge upon the general estate and not upon the subject matter of the legacy. Here the position is different from encumbrances upon freehold or leasehold property, because in respect of these the provisions of the Locke King's Acts, 1854, 1867 and 1877, apply, which provide that the encumbrances on such property

must be taken with the subject matter, but such provisions are inapplicable to items of personalty which are the subject matter of a specific legacy.

Where the subject matter is an income-bearing fund the legatee is entitled to the income therefrom as from the date of death, and the total benefit therefore derived by the legatee is not only the subject matter, but the interest received by the legal personal representative and handed over to him. In this connection it is essential to remember the fact that only the income received by the legal personal representative will be handed over, since where the specific legacy is one of stocks and shares accrued interest from the last dividend date up to the date of handing over the property will pass with the property unless at the time of handing over the stock is quoted ex div., in which case the legal personal representative will receive the subsequent dividend and be liable to hand such dividend over to the legatee. Care must be exercised, therefore, in deciding upon the value of the benefit by reference to the above facts.

Demonstrative Legacies.

In connection with demonstrative legacies the main point to consider is whether the fund upon which the legacy is charged exists or not. Seeing that the legacy is in the nature of a cash legacy, the fact that a particular fund is earmarked to meet the legacy is merely an expression of a wish by the testator that that fund should be used primarily for the purposes of satisfying the legacy. If, however, the testator has used the fund, it must be presumed that he has merely changed his intention as to the manner in which the cash legacy shall be paid and that he has not altered his intention that the cash so bequeathed should pass to the legatee. The legal personal representative, therefore, must consider the constitution of the estate, and if the indicated fund does exist he must utilise it for the purpose of satisfying the legacy, otherwise the demonstrative legacy will merely fall to be paid out of the general residue of the estate instead of out of a specific portion of it.

Difficulty is sometimes experienced in deciding whether a legacy is a specific legacy or a general legacy where it has reference to a named article. If the article is sufficiently identified by the terms of the will it will be a specific legacy, whilst if it is in general terms, and there are several such articles, it will be a general legacy. In the latter case it is a generally accepted principle that it is for the legatee to choose which of these several articles he will have in satisfaction of the legacy, and this is particularly apparent in a case where the gift is, say, "six books" and there are a thousand books possessed by the deceased at the date of his death, the legatee can choose which of the thousand books he will take in satisfaction of his legacy. If, on the other hand, the legacy was of six named books, it is a specific legacy and he will be entitled to his legacy only if the books named by the testator were in his possession at his death.

It will usually be found that the will provides for the residue of the estate to be handed over to a specified person. The residue represents what is left of the estate after payment of all debts, duties, legacies and capital charges, but it is possible that the distribution of the estate as provided for by the will cannot be carried out because of a deficiency of assets; in such a case the principle of the abatement of legacies must be considered. It is usually the general legacies which are subject to abatement, but if the subject matter of specific or demonstrative legacies is required for the payment of debts, these two classes will abate between themselves proportionately so long as the demonstrative legacies are in their nature specific, because the fund out of which they are payable exists.

Abatement.

In dealing with abatement of legacies it is important to consider whether the legacies are left "free" of duty or "subject" to duty, because if they are left free of duty the liability of the estate for the legacy duty must be treated as being an additional benefit to the legatee, and the legacy plus the legacy duty payable by the estate must be regarded as the total benefit to be apportioned. The operation of this is dealt with later in considering legacy duty. Abatement in itself merely means that the estate available is divided proportionately between the legatees so that each legatee suffers in precisely the same ratio as every other legatee. The general principle, therefore, is to compare the amount of estate available for distribution with the total legacies left, and thus establish the fraction which can be paid to each legatee so as to exhaust the estate.

Annuities.

Another matter to be considered is annuities. Annuities are gifts of annual payments for the lifetime of the beneficiaries instead of the payment of a lump sum. Annuities are required to be treated on the same lines as legacies, seeing they are benefits arising out of personalty bequeathed by the will. The legal personal representative may be given power by the will either to purchase an annuity, and so free the estate from any further dealings thereon, or to pay the annuity out of the general income of the estate. Annuities are similar to general legacies, and, if necessary, will abate therewith so that an annuitant in such circumstances would receive only such proportion of his annuity as applies to general legacies; thus, if the estate available is only sufficient to meet one-half of the general legacies the annuitant will only get one-half of the annuity left by the will.

As indicated above, legacies arise only out of a will. If, therefore, a man dies intestate, although his personal estate will fall to be distributed, the benefits obtained by the beneficiaries are not legacies, but are determined by the various statutes of distribution, and it is not proposed here to deal with benefits so obtained, seeing that such a set of circumstances cannot be classified under the head of "legacies."

Legacy Duty.

Turning now to the consideration of legacy duty, it has been observed that legacy duty is payable, not only on legacies, but also upon benefits which arise out of personalty upon intestacy. Legacy duty is payable at varying rates, the rate being determined by the relationship of the beneficiary to the donor; thus—

1 per cent. is payable by the husband or wife and lineal ascendants and descendants of the deceased;

5 per cent. is payable by brothers and sisters of the deceased and their descendants;

10 per cent. is payable by all other parties.

Some relief, however, is granted to beneficiaries who are husbands or wives of individuals who would themselves be liable to the 1 per cent. or 5 per cent. rates should they personally receive a benefit, the position being that where a beneficiary has been married to a person who is more closely related to the donor than the recipient, the rate of duty is fixed by the relationship of the deceased to such husband or wife; thus a daughter-in-law, having been married to a son of the deceased, can pay the same rate as the son would have paid. It is most important to realise that this relief operates by the *marriage of the beneficiary*, and not by the marriage of the donor. This is emphasised when we consider the duty payable by a stepson of the deceased. Such a person is a stranger in blood to the deceased, and the marriage of his mother to the testator has no effect upon his relationship for legacy duty purposes.

Exemptions.

There are various exemptions from legacy duty, such as legacies to the Royal Family; legacies out of an estate the net value of which does not exceed £1,000; articles of historic or artistic interest in certain circumstances, but the most important exemptions are—

(1) Leasehold property, which, although personalty for the purposes of estate duty, is not liable to legacy duty but to succession duty.

(2) Legacies to persons who would otherwise be liable to the 1 per cent. rate, who are exempt in the following cases:—

(*a*) All lineal ancestors and descendants, and the husband or wife, whatever the amount of the bequest, where the net value of the estate for estate duty purposes does not exceed £15,000;

(*b*) Any lineal ancestor or descendant, including the widower, where the total benefit received by that one individual does not exceed £1,000;

(*c*) The widow or an infant child of the deceased, where the total benefit received by such widow or infant child does not exceed £2,000.

It will be observed that the exemption from the 1 per cent. legacy duty is very wide in its operation, but it should be

particularly noted that the third exemption, viz, in respect of a benefit not greater than £2,000 to the widow of the deceased or his infant child is strictly limited to those parties, whilst the second exemption—relative to a benefit not exceeding £1,000—applies to any person, including the widower, who would ordinarily be liable to the 1 per cent. rate. The benefit conferred by marriage of the legatee, as mentioned above, comes also within the scope of this exemption.

Legacies Left "Free of Duty."

As to the actual liability for payment of the legacy duty, the terms of the will must be carefully considered to see whether the deceased person has made his estate liable to bear the duty or not. Where the legacy is left "free of duty" it is intended that the legatee shall get the amount of the legacy without any deduction and that any legacy duty payable shall be borne by the estate. Unless, however, the legacy is specifically left "free of duty", the legatee bears the duty personally. It should be observed that by the provisions of sect. 21 of the Legacy Duty Act the same duty is payable upon a legacy left "free of duty" as upon a legacy subject to duty, in spite of the fact that in the former case the net benefit obtained by the legatee is materially higher than that obtained in the latter case. This provision, however, does not apply where a legacy left "free of duty" abates, because in such circumstances it was decided in *re Turnbull; Skipper* v. *Wade* that in dividing the estate the legacy plus the duty payable must be regarded as the total benefit, and that the resultant abated figure is the amount upon which the legacy duty is payable. It is apparent in such a case, therefore, that legacy duty is in effect paid upon the legacy duty, which would not have occurred if the estate had been sufficient to pay the legacies and duties in full.

Duty on Annuities and Settled Legacies.

Special conditions arise as to legacy duty upon annuities and settled legacies. In the case of annuities the legacy duty is payable upon the capitalised value of the annuity as shown in the tables to the Succession Duty Act, 1853, the capital value depending, of course, upon the expectation of life of the annuitant. Where the annuity is purchased the legacy duty so calculated is payable in a lump sum, but where the annuity is paid out of income, the legacy duty can be paid by four annual instalments, the first becoming due before or on the completion of the first payment to the annuitant. In this case the duty can be paid in a lump sum under a discount of 3 per cent. calculated from the average date of the four instalments, this discount being granted for immediate payment since the legacy duty does not carry interest over the period during which it is being settled.

Another point to be borne in mind is that if the annuitant dies before the four instalments have been paid no further duty is demanded by the Inland Revenue Authorities; thus if the annuitant dies two and a-half years from the death of the testator two of the four instalments will have been paid and the last two instalments are discharged. The Inland Revenue Authorities do not apportion these payments up to the date of the death of the annuitant, it being considered that the instalments do not fall payable until the due date of each instalment.

In the case of settled legacies—that is, where the income of the subject matter is enjoyed in succession—legacy duty is payable by each beneficiary, but if all the beneficiaries concerned in the settlement are liable to the same rate of legacy duty this rate can be paid upon the total value of the property settled and charged against the settled property, thus freeing the same from further legacy duty during the period of the settlement. If, on the other hand, the parties are not liable to the same rate—as, for example, the property is left to the widow for life, then to a child for life, and finally to a brother of the settlor—each life tenant will be liable to legacy duty upon the capitalised value of her or his life interest, and upon the death of the child the brother will pay upon the then value of the property coming to him. The life tenants in these cases are treated in the same way as annuitants, the capital value of each life tenancy being calculated from the tables of the Succession Duty Act, 1853.

Duty on the Residue.

Lastly, legacy duty payable upon residue must be dealt with. This duty is determined by means of a residuary account, which shows the value of the property passing to the residuary legatee. The residuary account will be put in either when the estate is in a position to be handed over to the residuary legatee or when it is settled upon trusts directed by the will. Two examples will make this point clear:—

(1) Where there is no life tenancy, as soon as the executor has administered the estate, paid the debts, duties, legacies, &c., he can hand the property over to the residuary legatee. In such a case the residuary account will show the value of the property at that date, indicating the amounts which have been realised from the sale of the original assets and the value of the assets remaining unrealised, brought in at the value at the date of the residuary account. From this total will be deducted all payments out of capital, leaving the residue of capital. To this must be added all income which has been received since death or accrued to the date of the residuary account, less payments out of income, leaving the residue of income. The residue of capital plus the residue of income gives the total value of the estate at the date of the residuary account, and upon this legacy duty will be payable by the residuary legatee.

(2) Where there is a life tenancy a residuary account will be put in for the purpose of determining the estate in which the life tenant will enjoy the income. Such an account deals only with the residue of capital on the lines indicated above, and is prepared only for the purpose of showing the income to be enjoyed by the life tenant, and thus to enable the calculation to be made of the capital value of an annuity of such income upon which the life tenant is liable to pay legacy duty.

Upon the death of the life tenant a final residuary account is prepared showing the then value of the property. Upon this value the remainderman is liable to pay legacy duty.

It will be noted that where there is no life tenant only one residuary account is necessary, whilst where there is a life tenancy two residuary accounts must be prepared at least.

Treatment of Income.

In the preparation of the residuary account particular care must be taken in dealing with the income up to the date of the residuary account, because this must include, not only income actually received, but income accrued to the date of the making up of the account. Where some of the unrealised assets consist of stocks and shares the nature of the quotation thereof at the date of the residuary account must be taken into consideration, since that quotation may be either *ex div.* or *cum div.* If the former, the full quarter's or half year's dividend must be treated as income receivable, whereas if the latter the income is in the price, and the income to be brought into the residuary account will include only the dividend received to the last preceding dividend date. This point does not arise in connection with other income earning assets, because there is no question of "quotation," and if one of the unrealised assets consists of a mortgage of £2,000, say, at 6 per cent. interest, and a residuary account is brought in on July 31st and the last interest received was to the previous June 30th, part of the residue will consist of the one month's interest accrued to the date of the residuary account, because this is an asset at that date.

One other point, viz, the treatment of leasehold property. This property is personalty for the purposes of estate duty, but is liable to succession duty, and therefore does not form part of the residue of personalty to be included in the residuary account in ordinary circumstances. Any rents or ground rent accrued to the date of death will form an asset and liability respectively to come into the residuary account, as a realised asset and a paid liability respectively, but rent and ground rent after death will not come in, because, theoretically, the property is transferred at the date of death. If, however, the leasehold property is directed by the will to be sold, then it should be brought into the residuary account as part of the residue of capital, and in such a case, rents after death up to the date of sale form part of the income, whilst ground rent from the date of death to the date of sale will form a payment out of income.

Similar considerations apply to freehold property, since if it is directed to be sold it is regarded as a part of the residue of personalty, and the rents will form part of the income to be included in the residuary account of personalty.

Discussion.

The CHAIRMAN: There is one question I should like to ask Mr. James. The Lecturer instanced the case of an estate that passed ultimately through three hands before it was divided up—a life interest, and a first, second and third—and they each paid legacy duty, probably at different rates. It occurred to me, would the rule apply supposing the second were to marry a daughter of the deceased; that is to say, a second inheritor of the life interest? It might be a case of a man marrying his grandmother so far as age is concerned, but would that entitle him to pay 1 per cent. instead of 10 per cent.?

Mr. JAMES: Not unless the marriage took place before the decease. The marriage must have taken place before the testator died.

Mr. BRIDGE: The Lecturer mentioned the residuary account. Take the case of an estate consisting of a large sum in cash, stocks and shares, and, we will say, some property which is not readily realisable—it may have to be collected from abroad. The executor takes over a large amount of cash and finds that there is more than sufficient to pay the estate duty, all the debts and the funeral expenses, and leave a considerable balance, thus setting free all the investments. Is there any means by which the account can be taken as at the date of death? It seems rather harsh and perhaps inequitable that the residuary legatee should have to submit to legacy duty at the time when the residuary account is put in, perhaps two or three months or a year after the death, when the market values of the stocks and shares may have risen considerably, or even if they have not risen in price the income has accumulated in the executor's hands. It seems to me that the residuary legatee should be entitled in equity to the estate as at the date of death. There is one other question I should like to ask. Supposing the executor distributes the estate and afterwards discovers that he has some untaxed interest, the tax on which he had not provided for. Is he liable for the income tax, or can he arrange with the Income Tax Authorities to assess the beneficiary?

Mr. JAMES: Taking your first point, it is in certain cases unfair that the residuary legatee should have to pay more legacy duty by reason of delay in putting in the residuary account. But the Legacy Duty Act is, of course, a taxing statute, and you have to read it literally and wash out any question of equity. You must consider that the legatee is only paying duty on what he gets, and therefore, although he is paying more than he would have done if the estate had been distributed earlier, at the same time he is only paying on the total amount he gets out of the estate when he gets it. The executor cannot give his consent to the settlement of the residuary estate until he is in a position to say "I have finished with the whole estate." The residuary legatee is not entitled to the property until the residuary account is put in. Take a case like this, for instance: A large block of shares is held, standing for purposes of duty at £100,000. Supposing it drops to £50,000, upon what figure does the residuary legatee pay? On £50,000. It cuts both ways. As to your other point, with regard to untaxed interest, the executor is liable to meet all the liabilities of the estate, and if he does not do so it is his own look out. He is personally liable for all the debts, and one of the debts is the income tax, which ought to have been provided for. I grant you he would have the right to recover from the beneficiaries if he distributed the property incorrectly, but not from the Inland Revenue Authorities.

Mr. BRIDGE: What I had in mind was untaxed interest accrued since date of death.

Mr. JAMES: It does not make any difference; he must see that all income tax for which he is liable is provided for.

Mr. OWLETT: In the event of an executor choosing to buy an annuity for a legatee in an insurance company, and that insurance company failing, does the annuitant lose the annuity, or a portion of it? In the event of a testator assigning a life assurance policy to a life tenant, does that constitute the assignee a legatee, and is legacy duty payable upon it?

Mr. JAMES: In reply to your first point, it will depend entirely on what the executor has done—whether he exercised reasonable care and diligence. If he bought an annuity with a sound insurance company, or an insurance company that he had every reason to believe was sound, he could not be held liable afterwards for having purchased the annuity; but if he had been negligent in the manner in which he selected the insurance company then he would be liable, because it would be by reason of his negligence that the loss had been suffered. As to your second point, with regard to the assignment of a life policy, of course the assignment must have taken place before death. Supposing I have an insurance policy, and having had an interest in it for some years I afterwards assign it, say, to my wife. I assign the benefit of the policy, but it still forms part of my estate on the date of my death. The mere fact that I have paid the premiums on the policy does not constitute a retention of the benefit. The whole point is whether, at any time, the deceased person had an interest in the property. If he had, it forms part of the estate. If he had never had an interest in it, it forms an estate in itself. It is not strictly a legacy, but something which is collected by the executor on behalf of some other beneficiary. Legacy duty is not payable upon it, but succession duty will be payable if the deceased had continued to pay the premiums after assigning the policy.

Mr. MANATON: If a demonstrative legacy exceeds a specific legacy, how is that dealt with? Is that dealt with *pro rata*? For example, there is a specific legacy of £1,000 in War Loan. There is sufficient for that, but not for a demonstrative legacy of £10,000.

Mr. JAMES: I am afraid I did not catch your point.

Mr. MANATON: There is a demonstrative legacy, say, of £10,000 charged on 5 per cent. War Loan, and a special legacy of £1,000 in War Loan, and the estate only realises £5,000 after paying all expenses.

Mr. JAMES: Suppose the subject matter of the specific legacy exists at the date of death, and the deceased person is possessed of this £1,000 of War Loan; he is also possessed of a fund or a deposit at the bank amounting to £4,000, but the fund is charged with a demonstrative legacy of £10,000. Well, the specific legacy in that case is not subject to abatement; the legatee will get that. But the demonstrative legatee cannot get more than the fund which is charged, the remaining £6,000 being treated as a general legacy. Suppose you have a fund of £5,000 which is charged with two demonstrative legacies, one of £4,000 and one of £2,000, and in addition you have some furniture valued at, say, £1,000 left as a specific legacy. The demonstrative legatees will abate between themselves; therefore they will use the £5,000 as far as it will go. One will take four-sixths and the other two-sixths. The specific legatee will get his in full. The point I was rather emphasising in the lecture was the necessity of meeting any debts or other capital outstanding charges. If, however, there is no residue of personalty apart from the subject matter of specific and demonstrative legacies, and these assets are required for payment of debts, &c., both the specific and demonstrative legacies will abate proportionately, because the fund on which the latter are charged exists, and to this extent they are specific.

Mr. E. W. NORMAN: I think the Lecturer stated than no duty is payable upon duty except where the question of abatement arises. The following case came to my notice recently. A testator left freehold cottages valued at £800 to a stranger in blood, and they were left free of duty. Succession duty was paid at the rate of 10 per cent., amounting to £80, out of the residuary estate; then the executors paid legacy duty on the £80 succession duty at the rate of 10 per cent., amounting to £8. They made the beneficiary pay this £8. I should like to ask whether that was properly payable, and, if so, whether it ought not to have been paid out of the estate, as the devise was to be free of duty?

Mr. JAMES: That raises a very nice point. So long as the will merely stated that the freehold cottages were left free of succession duty, legacy duty was payable upon that succession duty by the beneficiaries. If it had been left free of all duties and all debts the position would have been different. Suppose I had some cottages and I left them to you, a stranger in blood, and I left them by my will free of legacy duty and succession duty. First of all we have to establish that. If my will says that I leave them free of succession duty you would have to pay legacy duty on that succession duty, but if my will says I leave them free both of legacy duty and succession duty, then the estate would pay the £80 and the £8. Actually the payment would be made on £800, the

value of the cottages, less, say, £40 estate duty, and the 10 per cent. succession duty would be paid on £760 and not on £800. Whilst you pay legacy duty upon the whole value of the property, for succession duty purposes the estate duty attaches to the property itself and you pay succession duty as though the estate duty was an encumbrance upon it. But it all turns on the wording of the will. If the property is left free of all duties, then both the succession and legacy duties are payable by the estate.

Mr. W. G. Strachan: I think it will be found in practice that if a property is left free of succession duty the Inland Revenue Authorities will accept the succession duty payable by the estate at the rate which the residuary legatee has to bear. Usually this rate is lower than that at which the beneficiary would be assessed.

Mr. James: I am very much obliged to you for that information, because it is news to me. I will make a note of it.

Mr. S. E. Straker: I should like to mention an interesting case I heard of the other day, where a man in his will bequeathed legacies free of duty to his children. During his lifetime he had given certain sums to one of his children. Although the testator had taken those items into account in arriving at the amounts due to the other children, it being his intention that they should share equally, the son who had received the money had to pay the estate duty on his advancement, and therefore got less than the others.

Mr. James: Do I take it that the advances were made within three years of death?

Mr. Straker: Yes.

Mr. James: That point raises the question of aggregation. If a gift has been made within three years of death the recipient is liable to estate duty by reason of the fact that it has to be aggregated. That is one of those "items which do not come into the executor's hands." It is the person who has received the advance, or the gift, who has to pay the estate duty. If he had got it as a legacy he would not have borne the estate duty upon it, but because he had had the benefit, and because it was one of the assets which were presumed to pass at death, the beneficiary would have to bear the duty. It is not one of those items for which an executor is personally liable.

A vote of thanks to the Lecturer was then unanimously passed, on the motion of Mr. Owlett, seconded by Mr. W. G. Strachan.

A similar vote was accorded to the Chairman for presiding.

MUNICIPAL FINANCE AND PUBLICITY.

Some time ago we referred to the publication by the Cardiff City Treasurer, Mr. John Allcock, F.S.A.A., of a financial abstract designed to enlighten the average citizen as to the state of the municipal finances. We ventured to predict at the time that so excellent an idea would set an example to other local authorities. Our prophecy has already been fulfilled. The Finance Committee of the Hammersmith Borough Council, for example, have reported that they had considered a suggestion of the Borough Accountant as to the desirability of publishing, for general information, in the public press a statement regarding the finances of the Borough Council. "As members are aware," continued the Committee, "a brief summary of the Council's estimated expenditure is inserted on the rate demand notes for the information of ratepayers, but it has been pointed out to us that a statement in further detail would furnish the ratepayers and others with more complete information regarding the Council's services and expenditure, both under the head of precepts of other bodies—*e.g.*, the London County Council, the Board of Guardians and the Metropolitan Police—and in respect of its own expenditure. At our request the Borough Accountant has prepared a statement on the lines indicated, and, after considering the same, we have given directions for a copy to be furnished to each member of the Council. We are of the opinion that the suggestion of the Borough Accountant might with advantage be adopted, and recommend that authority be given to issue the statement in the press accordingly."—*Local Government Journal.*

District Societies of Incorporated Accountants.

BELFAST.

At a recent meeting of this Society a paper was read by Professor H. O. Meredith on "The Ideal of a Stable Price Level." The chair was occupied by Mr. George H. M'Cullough, Vice-President of the Society. In the course of his survey, the Lecturer referred to three important questions in connection with a stable price level. First, as to its exact connotation; second, as to how far it was desirable, and, lastly, to what extent it was practicable. When reference was made to the advantages of stable prices, in his view people often thought, not so much of the advantages of absolute stability as of the disadvantages of extreme instability; in other words, their hope was not that prices should be stabilised, but that considerable movements should be prevented. He also dealt with such practical topics as inflation and deflation, a gold standard and a managed currency. On the whole, he was inclined to think that a managed currency offered considerable advantages.

BRADFORD.

A paper was recently read before this Society by Mr. G. L. Pratt, Incorporated Accountant, London, on "Examinations from the Students' Viewpoint."

The trite distinction between the man of theory and practice was well known, said the Lecturer, and nowhere was the welding together of the two so important as in accountancy. Students would realise at an early date that they must regard the day's office work and the night's reading as complementary. To pass an examination only by reason of an aptitude for cramming was a bare success, while it was futile to attempt to pass on the strength of a few years of clerkship. The student was well advised to place office work first, because the minutest thing done stamped itself on the mind with greater ease and durability than the thing merely read or conceived. One outstanding feature of the present day examinations, however, was the manifest intention on the part of examiners to destroy, where possible, the distinction between theory and practice—that was, to give the earnest student of accountancy a better chance than the bookworm.

The impression gained from a review of past examination papers, went on Mr. Pratt, was that for the answers to be correct they needed to be precise, and perhaps also uniform. There was little scope for initiative. Candidates did not rely to a sufficient extent on common sense in the examination room. The papers of to-day gave scope for it, and yet many had their minds too fully concerned with the notes they had left outside the room to be able to exercise ordinary judgment to the best advantage.

NEWCASTLE-ON-TYNE.

At a recent meeting of this Society a lecture was delivered by Mr. C. M. Murray-Aynsley, B.A., LL.B., Lecturer in Law, Armstrong College, on "The Administration of a Deceased Person's Estate." There was a good attendance of members, and Mr. W. H. Stalker, A.S.A.A., took the chair.

The Lecturer said that in the case of persons who administered an estate where no will or executor was named the administrator was appointed by the Probate, Divorce or Admiralty Courts.

Either in the registry in London or in the local registry the first duty of the personal representative was to get in debts of the deceased person, and then it was necessary as a safeguard to insert an advertisement in the newspapers circulating in the district in order to give creditors warning as to whom they had to make claims. When that was done the executors were not liable. They had to pay out assets without regard to claims of which they had not notice.

The next duty was the payment of debts, and it was necessary to observe the proper order, according to whether the estate was solvent or insolvent, and as to whether it was administered or not by the Court. After satisfying the claimants on the estate it was the duty of the representatives, if there was no will, to pay to the people entitled by law, according to the character of the property, and if there was a will, to pay out according to the provisions of the will. If the surplus was insufficient to pay all debts it was necessary to abate.

The order in which legacies were paid depended upon their character—general pecuniary legacies first, and afterwards, specific legacies.

The final meeting of the current session of this Society was held recently in Armstrong College. The proceedings took the form of a mock shareholders' meeting. The meeting was presided over by Mr. Richard Smith, President. Mr. T. R. G. Rowland acted as Chairman of Directors, Mr. J. Telfer as Secretary and Mr. A. M. White as the Auditor. Other members took part as directors and solicitor to the company.

NOTTS, LEICESTER, DERBY AND LINCOLN.

A meeting of this Society was held recently, when an address was delivered by Mr. F. Ogden Whiteley, F.S.A.A., City Treasurer of Bradford, on "Some Interesting Aspects of Municipal Ownership of Trading Undertakings."

The paper made the point that it was theoretically sound to supply municipal services at cost price, for the principle of municipal ownership of trading undertakings was that of the provision by the people, for themselves, of services essential to the life, health and prosperity of the community, rather than—as in the case of a private company—the provision of the same services for the purposes of making dividend. There was, however (the paper stated), some weight in the argument adduced in favour of a moderate contribution to relief of rates, by reason of the fact that in the borrowing of moneys for municipal trading undertakings there was given to the lender as security for his money not only the undertaking itself but also the entire rateable value of the city.

In the event of failure of the revenues derived from the trading departments to meet the charges incident thereto, the ratepayers would have to make up the difference.

The reminder was given that of every sovereign of profit made by the ratepayers, out of themselves, the Inland Revenue Department came down and carried away 4s. 6d. to swell the Imperial resources.

WEST OF ENGLAND.

ANNUAL MEETING.

The annual meeting was held in the Royal Hotel, Bristol, on March 17th. Mr. G. J. Barron Curtis, President, occupied the chair, and was supported by the following members:—Mr. E. S. Hare, Vice-President; Mr. J. F. Chadwick, Mr. C. W. Clark, Mr. A. Cotton, Mr. F. P. Leach, Mr. I. P. Ray, Mr. F. P. L. Roberts, Mr. G. F. H. Shipton, Mr. C. B. Steed, Mr. R. G. Storey and Mr. F. A. Webber, Hon. Secretary.

The financial statement and the annual report as set out below were approved and adopted, and the following officers and committee elected for the ensuing year:—President, Mr. G. J. Barron Curtis; Vice-President, Mr. E. S. Hare; Hon. Secretary (*pro tem.*), Mr. F. A. Webber; Hon. Auditor, Mr. C. B. Steed; Committee, Mr. C. W. Clark, Mr. A. Cotton, Mr. J. S. Dudbridge, Mr. S. Foster, Mr. H. M. B. Ker, Mr. F. P. Leach, Mr. F. W. Prosser, Mr. C. B. Steed and Mr. F. A. Webber. The meeting closed with a vote of thanks to the officers and committee for their services during the year.

Report.

Your Committee have pleasure in presenting the report on the work of the Society, together with the audited accounts and balance-sheet, for the year ended December 31st, 1924.

Lectures.

The following lectures were given:—

1924.

Jan.	7th.	"Income Tax," by Mr. C. W. Legge, London.
Feb.	4th.	"Economics," by Mr. H. Phillips, B.A.
Feb.	18th.	"Statistics," by Mr. H. Phillips, B.A.
Oct.	28th.	"Economics," by Mr. H. R. Burrows, B.Com.
Nov.	10th.	"The Accountancy Profession and its Prospects," by Mr. W. Claridge, M.A.
Nov.	25th.	"Economics," by Mr. H. R. Burrows, B.Com.
Dec.	1st.	"Banking," by Mr. H. G. Treasure, Bristol.
Dec.	16th.	"Economics," by Mr. H. R. Burrows, B.Com.

Your Committee are pleased to report that the attendances were highly satisfactory.

Membership.

During the year nine new members were elected, and the total membership is now 69, represented by 18 Fellows, 25 Associates and 26 students.

Examinations.

The following student members were successful in the Society's examinations:—

Final: Mr. H. H. Bussell. *Intermediate:* Mr. Wilfred Harvey, Mr. F. A. Simpson, Mr. C. E. Halliwell.

Library.

A number of new books have been purchased, including a complete set of "Official Tax Cases." Additional copies of books in most demand have also been purchased and added to the library.

Finance.

Your Committee gratefully acknowledge a grant from the Parent Society.

Conferences.

Your Secretary represented the Society at a conference held in London on May 14th, 1924, to discuss the working of District Societies, and also officially attended the Autumnal Conference held in Leeds and Bradford on October 1st-4th, 1924.

Committee.

Six meetings of the Committee were held. The retiring members of the Committee are Mr. G. J. Barron Curtis, Mr. H. M. B. Ker and Mr. F. P. Leach, who are eligible for re-election.

YORKSHIRE.

The eighth lecture of the current session was held at Leeds on Tuesday, March 10th. The Lecturer was Mr. E. Miles Taylor, F.C.A., London, who read a paper on "Cost Accounts Questions at recent Incorporated Examinations, from a Student's Point of View." There was a good attendance of student members for Mr. Taylor's interesting address, and in the absence of Mr. T. Revell (who was indisposed) the chair was taken by the Secretary.

The final lecture of the session was held on March 24th at Leeds. The chair was occupied by Mr. A. France, F.S.A.A., Leeds. Mr. C. A. Sales, LL.B. (London), A.S.A.A., read a paper on "Divisible Profits or Dividends." The paper was followed by a discussion on premiums on shares, discount on issue of debentures, and profits earned prior to formation of a company, in which several members took part. A hearty vote of thanks to the Lecturer for his instructive paper was proposed by Mr. Storr, seconded by Mr. T. W. Dresser, and carried by acclamation.

Reviews.

A Practical Superannuation Scheme. *By Harold W. Batty, F.S.A.A. London: Messrs. Darke, Robson & Batty, 146, Bishopsgate, E.C. (20 pp. Price 1s.)*

This pamphlet contains a superannuation scheme in the form in which it is actually in use for a firm with less than twenty employees. The scheme is published in the hope that it may be of service to those who are considering the adoption of a superannuation fund, and the author explains that with slight modifications it may be made applicable to limited companies. The text of the scheme is supplemented by notes and explanations, especially in relation to its effect in regard to income tax allowances. The contributions are made partly by the employee and partly by the principals, and the fund is used for the purpose of effecting an assurance on the life of the former. The scheme has been carefully considered and is well worthy of study by any firm or company who may be contemplating the establishment of a fund of this character.

Stevens' Elements of Mercantile Law. *Seventh Edition. By Herbert Jacobs, B.A., Barrister-at-Law. London: Butterworth & Co., Bell Yard, Temple Bar. (688 pp. Price 10s. 6d. net.)*

In the preparation of this edition, the text has been largely re-constructed by division into more frequent paragraphs, and the use of different kinds of type and side notes, with the object of enabling the eye to assist the memory. All important decisions since the issue of the previous edition have also been incorporated, and the main provisions of the Carriage of Goods by Sea Act, 1924, have been summarised. The work embodies an excellent summary of the law, well arranged and carefully indexed.

Pacioli's Treatise on Double Entry Book-keeping. *Translation by Pietro Crivelli for the Institute of Book-keepers Limited, 133, Moorgate, London, E.C.2. (125 pp. Price 7s. 6d.)*

We have received a copy of this interesting book, which is a translation of the original "Treatise on Double Entry Book-keeping," by Frater Lucas Pacioli. The translation has been carried out for the Institute of Book-keepers Limited by Mr. Pietro Crivelli. Some interesting facts are given in an introduction as to Frater Lucas Pacioli, whose work was printed in Italian black letter and published in Venice in 1494. The book contains a copy of the original oil painting in Naples Museum of Pacioli, and also a facsimile of the first page of the Treatise. Expressions of appreciation of the translation, which are embodied in the work, have been received from His Excellency the Italian Ambassador, the President of the Institute of Chartered Accountants of England and Wales, and the President of the Society of Incorporated Accountants and Auditors. Pacioli appears to have been originally a mathematician of some attainment, and in fact his work on accounting and recording constitutes sect. IX of Treatise XI on Arithmetic, Geometry and Proportion. In reviewing the contents of the book it is interesting to observe the range of business transactions, business and book-keeping records which the work written in the Fifteenth Century comprises. Accountants may be accustomed to assume in their own minds that accounting is a comparatively modern art and its technical terms of modern origin. Such a suggestion seems to be at variance with the comprehensive, though limited, scope of the operations of business to which Pacioli gave attention, which met the needs of a simpler business economy than obtains at the present day. If accountancy as a profession lacks the hoary headed antiquity of some of the other learned professions, it should ever be mindful of the debt which it owes to the Venetians of the Middle Ages, as the art of book-keeping and accounting is the basis upon which accountancy as an organised profession was established. Upon this basis has been built and developed a technique applicable to every range of business activity, and this technique has brought to those who exercise the profession of accountancy wide responsibilities and recognition, of which Pacioli, even in his most exalted moods, could never have dreamt.

Society of Incorporated Accountants and Auditors.

(Scottish Branch.)

Annual Report.

The Council have pleasure in presenting the 45th annual report of the Scottish Institute of Accountants (the Scottish Branch of the Society) for the year ended December 31st, 1924.

The vacancy in the Council caused by the death of Mr. William McIntosh was filled by the co-option of Mr. John Meikle, F.S.A.A., Glasgow, who has been a member of the Scottish Institute for many years.

The number of candidates who sat the examinations in Glasgow in 1924, was slightly less than in 1923, which was a record year, but the Council are pleased to be able to report an increase in the number of clerks indentured under Articles of Clerkship, and also in the number of candidates applying for admission to the examinations under the special bye-law.

City members of the Society are reminded that it would be very helpful if they would co-operate with the Secretary in arranging for the indentures of country candidates who desire to attend classes in Glasgow or Edinburgh and acquire additional experience, to have their indentures transferred to members in these cities during the later years of their apprenticeship. The Secretary will be pleased to hear of such vacancies, and to put members in touch with likely apprentices desiring to transfer.

The Council have had under consideration the reprinting, with some amendments, of the Constitution and Bye-laws of the Scottish Institute of Accountants, which have long been out of print. These, it is expected, will be submitted for the consideration of members later in the year.

The Students' Society held several meetings during the year which were well attended, and the lectures much appreciated.

On June 27th last the Council was favoured with a visit from Mr. A. E. Woodington (London), Chairman of the Examination and Membership Committee (in place of the President of the Society, who was prevented by illness from attending), and Mr. A. A. Garrett, the Secretary of the Society. A number of matters pertaining to the Scottish Branch were discussed and various suggestions made with the view of facilitating the work of the Society in Scotland, as well as in the interests of the Scottish members, and Scottish candidates for the examinations. The visit of Mr. Woodington and Mr. Garrett was much appreciated, and the Council and other members had the pleasure of entertaining them to a luncheon at the close of the conference.

A successful conference of the Society was held at Leeds in October last and was attended by Mr. Robert T. Dunlop and Mr. W. Davidson Hall, Glasgow; Mr. H. Walker MacGregor, Johnstone, and by the Secretary.

As in previous years the Society is represented on the membership of the Glasgow Chamber of Commerce by the President of the Branch, Mr. D. Hill Jack, and the Secretary, Mr. James Paterson.

The attention of Scottish members is called to the Benevolent Fund of the Society and to the *Incorporated Accountants' Journal*, the official organ of the Society, both of which are commended to the interest of the members of the Society in Scotland.

Members of the Council who retire at this time are: Mr. D. Hill Jack, Glasgow; Mr. Robert Young, Elgin; Mr. William Robertson and Mr. Walter MacGregor, Edinburgh, all of whom are eligible for re-election.

The Honorary Auditors, Mr. D. M. A. Brunton and Mr. James B. Dow also retire. Mr. Dow having removed to England is not eligible for re-election.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

A Dishonoured German Bill.

The First Division of the Court of Session on 12th ult. disposed of a reclaiming note for the pursuer in an action in which the Public Trustee, as custodian of enemy property, sued a Glasgow fish curer for payment of £400, the sum contained in a bill of exchange payable on August 28th, 1914, drawn by a German subject upon the defender, payable at a bank in Glasgow, to which the pursuer (the Public Trustee) claimed right by vesting order of the Board of Trade under the Trading with the Enemy (Amendment) Act, 1916. The bill, which was dated March 6th, 1914, was received on March 22nd, 1914, at the London branch of the Deutscher Bank, to which it had been transmitted by the Leipzig branch of the same bank. Shortly before the due date the bill was handed to the Bank of England for collection, but payment was refused. The London branch had credited the Leipzig branch with the bill when received, and on its being dishonoured the London branch debited the Leipzig branch with the amount, and wrote and filed a letter to be sent at the close of the war, advising Leipzig of the dishonour. The six years from the date of the bill expired on August 28th, 1920, without any action being taken. Action was ultimately taken in November, 1922. The pursuer maintained that the running of the prescriptive period was interrupted or suspended during the war. The defender contended that the enemy character of the Deutscher Bank branch in London was taken off by the licences granted to it. In the Outer House, Lord Murray assoilzied the defender on the ground that the prescription could be interrupted only in the way provided by statute, by executing diligence or raising an action. The Division recalled the interlocutor of the Lord Ordinary and found the defender liable in expenses. The Lord President, who gave the leading opinion, remarked that it was a striking fact that, although the London branch of the Deutscher Bank was to a very large extent concerned with bills drawn upon persons in this country, throughout the whole of these years of administration under licence the bank in not one single instance took action to recover any sum due on a bill. How and why was that? It was proved by the evidence taken in this case that the arrangements subsisting between the Deutscher Bank in Berlin and this particular office in London secured that when a bill had been received in London, credited to the branch from which it had come, and was dishonoured, it was returned to the branch from which it had come, which was debited with the amount, and left to what recourse it had on the bill. No action was taken in this country. That was the procedure before the outbreak of war. The licences which were granted to the London branch during the war enabled it to carry on banking business, and his Lordship did not conceive that the licence was intended to enlarge one iota the sphere of the business the branch had done before, and it was permitted to continue to do what it had been doing before. It had no power to raise proceedings, and his Lordship arrived at the conclusion that the licences did not afford any warrant for the belief that the British Government conferred on the London office of the Deutscher Bank a power it did not have itself—a power to sue upon any bill which had been accepted by a British subject.

Meeting of Scottish Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on 27th ult. There were present Mr. Robert Young (Elgin), Mr. William Robertson, F.F.A. (Edinburgh), Mr. Walter MacGregor (Edinburgh), Mr. J. Stewart Seggie, C.A. (Edinburgh), Mr. Archibald Macintyre (Hamilton), Mr. J. T. Morrison (Coatbridge), Mr. William L. Pattullo (Dundee), Mr. D. Hill Jack, J.P. (Glasgow), Dr. John Bell (Glasgow), Mr. R. T. Dunlop (Glasgow), Mr. W. Davidson Hall (Glasgow), Mr. John A. Gough (Glasgow), Mr. William Houston (Glasgow), Mr. John Meikle (Glasgow), Mr. J. Cradock Walker (Glasgow), and Mr. James Paterson, Secretary. Mr. Hill Jack occupied the chair. Apologies for absence were intimated from Mr. P. G. S. Ritchie and Mr. W. J. Wood. Mr. Hill Jack was re-elected President of the Scottish Institute, and Mr. Robert Young, Mr. William Robertson and Mr. John Bell were re-elected Vice-Presidents for the ensuing year. A number of applications for membership and other matters pertaining to the profession in Scotland were under consideration and disposed of. Mr. Robert T. Dunlop and Mr. John A. Gough were appointed to represent the Scottish Institute on the Glasgow Chamber of Commerce, and Mr. J. Stewart Seggie (Edinburgh) was nominated to the London Council in room of Mr. Hill Jack, who desired to be relieved of the duties.

Scottish Branch—Annual Meeting.

The 45th annual meeting of the Scottish Institute of Accountants (the Scottish Branch of the Society) was held in Glasgow on 27th ult., Mr. D. Hill Jack, President, in the chair. There was a large attendance of members. The Chairman in moving the adoption of the report (which appears in another part of this issue) referred to the improved position of the Society in Scotland. Mr. Robert Young (Elgin) seconded, and after discussion, taken part in by, amongst others, Mr. Scott Finnie (Aberdeen), Mr. E. M. Brodie (Port Glasgow), Mr. D. M. Muir (Dunfermline), and Mr. J. S. Gavin (Glasgow), the report was adopted. The retiring members of Council, Mr. D. Hill Jack (Glasgow), Mr. Robert Young (Elgin), Mr. Wm Robertson, F.F.A., and Mr. Walter MacGregor (Edinburgh), were re-elected. A cordial vote of thanks was given to Mr. Hill Jack for his conduct in the chair, and his valuable work on behalf of the Scottish Branch.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1923) 2 K.B.:—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.R., *Scottish Law Reporter*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B.& C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; P., President of Probate, Divorce and Admiralty.]

BANKRUPTCY.

Ellis & Co.'s Trustee v. Dixon-Johnson.

Set off of Value of Shares.

The House of Lords dismissed the appeal and affirmed the decision of Lawrence (J.) and the majority of the Court of Appeal (reported April, 1924, p. 199, and September, 1924, p. 320), and held that the right of the respondent was not to a money payment but to the return in specie of his securities, and no question of set off really arose.

(H.L.; (1925) 159 L.T.N., 175.)

COMPANY LAW.

Re Magadi Soda Company, Limited.

Duties of Trustees for Debenture Holders.

Trustees for debenture holders, who persistently refuse and neglect to give the beneficiary all information concerning the trust estate and deliberately conceal matters vitally affecting the beneficial interest, should not be re-appointed under a scheme of arrangement on the winding up of the company.

(Ch.; (1925) 60 L.J.N., 193.)

CONTEMPT OF COURT.

R. v. "Evening News."

Charge to Grand Jury privileged if fair and accurate.

A charge to a grand jury comes within the description of proceedings in a Court of Justice so as to give immunity to those who publish a fair and accurate report.

(K.B.; (1925) 41 T.L.R., 291.)

INSURANCE.

Fishwick v. Gyani.

National Insurance Contributions Recoverable only as Civil Debt.

Unpaid contributions arising either under the National Insurance Acts, 1911 and 1913, or the Unemployment Insurance Act, 1920, are recoverable only as a civil debt, the obligation being purely a civil obligation.

(K.B.; (1925) 41 T.L.R., 253).

MISCELLANEOUS.

Re Railways Act, 1921, and re The Schedule of Standard Charges.

Capital provided out of Reserve Fund.

The Court of Appeal held that capital expended by a railway company and obtained by drawing upon their undistributed profits, pension funds, or other reserves is not, within the meaning of sect. 58 (1) (*b*) of the Railways Act, 1921, "additional capital raised or provided" in respect of which the company is entitled to claim the remuneration provided by the section. Capital raised indicates capital obtained by an issue offered to and subscribed by the public.

(C.A.; (1925) 69 S.J., 326.)

Royal Institute of British Architects v. Hindle.

Unauthorised Use of Professional Designatory Letters.

Where by use and custom certain designatory letters have become generally known as those employed by the members of a close corporation within an otherwise open profession, any member of that profession who adopts those letters without authority from that corporate body is guilty of "passing off," and is liable to be restrained by injunction.

(Ch.; (1925) 69 S.J., 367).

Wilson's Executors v. Bank of England.

Documents in the hands of a Public Department.

An action was brought against the Bank of England on the ground that defendants had in breach of statutory duty or through negligence acted on forged transfers. The defendants averred that the person whose signature was alleged to have been forged had authorised the transfers in pursuance of a plan to evade scrutiny of false income tax returns. The defendants called for the income tax returns, and the Judge held that it being in the interests of truth and justice that the income tax returns should be made available granted the order.

(C.S.; (1925) S.L.T., 81.)

RATES AND RATING.

Metropolitan Water Board v. Kingston Assessment Committee.

Method of Assessment.

In calculating the rateable value of hereditaments occupied by a public body subject to statutory restriction, the task of the assessing authority is to ascertain the rent of the property which a reasonable hypothetical tenant might be expected to pay, looking for that purpose at the receipts of the body and not by applying a remunerative rate of interest to the capital value of the hereditaments.

(K.B.; (1925) 60 L.J.N., 100.)

REVENUE.

Collins v. Firth-Brearly Stainless Steel Syndicate.

Profits or Gains of Business.

The respondent company purchased patents under an agreement and appealed against the assessments made upon it in respect of sums received by way of purchase price under various agreements by which the respondent company had sold the patents to companies in America, France and Japan. The General Commissioners discharged the assessment to income tax under Schedule D of the Income Tax Acts.

Rowlatt (J.) held that the agreements whereby the patents were disposed of were made in the course of the business of the respondent company, and that the difference between the amounts received and the cost of the patents to the company was consequently assessable as profits or gains of the business. The respondent company had been formed for the buying of patents and the making of profits by using or selling them as one of its objects. The appeal of the Crown was therefore allowed.

(K.B.; (1925) 159 L.T.N., 200.)

Wood v. Inland Revenue.

Separation of Business and Excess Profits Duty.

Appellant carried on the business of fish salesman and also owned shares in various steam drifters in which the profits or losses incurred in working the latter were divided among holders in proportion to number of shares held. Sect. 38 (3) of Finance (No. 2) Act, 1915, provides for set off of deficiencies on the standard rate for excess profits duty in one accounting period against excesses over the standard rate in a previous accounting period. The appellant claimed under this section to take the combined result of the separate business so that the losses on the whole in the later accounting period should be treated as cancelling or diminishing the profits yielded by the whole in the earlier accounting period for the purpose of excess profits duty.

It was held by the First Division, Court of Session, that under sect. 38 (3) each business fell to be treated as a separate unit and that accordingly loss in one business could only be set off against gain in the same business; and further that Rule 13 of Cases I and II, Schedule D, of the Income Tax Act, 1918, which enables a person carrying on several trades to set off loss in one trade against gain in another in the same accounting period, was confined to liability for assessment to income tax and was not made applicable to excess profits duty by sect. 40 (1) of the Finance (No. 2) Act, 1915.

(C.S.; (1925) S.L.T., 47.)

Howden Boiler and Armaments Company v. Stewart.

Income Tax; Separation of Businesses.

The appellants were manufacturers of boilers and also during the war of shells for the French Government. They claimed under Rule 3 of the Miscellaneous Rules applicable to Schedule D of the Income Tax Act, 1918, that they were entitled to have these two manufactures treated as separate trades for the purpose of income tax.

It was held by the First Division, Court of Session, Scotland, that the Commissioners were entitled to find that these were merely different departments of one business, and the appeal was refused.

(C.S.; (1925) S.L.T., 39.)

Brassard v. Smith.

Property liable to Succession Duty.

The Judicial Committee of the Privy Council held that the shares of a bank of which the head office was within the Province of Quebec, being registered in a local branch of the bank in Nova Scotia, were locally situated in Nova Scotia where their owner was domiciled, and were not subject to succession duty in Quebec as being actually situated within that province.

(A.C.; (1925) 60 L.J.N., 74.)